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# China Report

ECONOMIC AFFAIRS

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21 January 1986

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## NATIONAL POLICY AND ISSUES

### MINISTER URGES COMBINING MILITARY, CIVILIAN PRODUCTION

Beijing RENMIN RIBAO in Chinese 16 Sep 85 p 2

[Article: "Zou Jiahua Points Out After Investigation on Ordnance Industry Enterprises: Ordnance Industry Should Further Execute the Principle of Combining Military and Civilian Production"]

[Text] "The Ordnance industry system must further comprehensively carry out the principle of combining military and civilian production, and all ordnance enterprises must engage in civilian production without exception and develop horizontal economic integration, invigorate weaponry production, and support the revitalization of local economies," stressed Minister of Ordnance Industry, Zou Jiahua [6760 1367 5478], in his speech at the ministry's recent cadre conference.

Last August, Zou Jiahua conducted investigations and research on ordnance industry enterprises throughout the provinces of Heilongjiang and Jilin and consulted the leading comrades of provincial and municipal ordnance departments on how to still better combine military and civilian production and expand civilian production. His investigations made these findings: many ordnance enterprises, while guaranteeing war production, achieved notable progress in developing civilian production, but this development is quite unbalanced. Some ordnance enterprises do not have sufficient understanding of civilian production. They undertake it halfheartedly, or regard civilian products as "sideline" and fail to take them seriously. They do not have regular backbone civilian products themselves and when military production drops sharply they have to stop production altogether and are thrown into passivity.

With regard to these problems Zou Jiahua pointed out emphatically: The law of the development of the ordnance industry calls for enterprises to engage in civilian production and to implement the integration of military and civilian production. The combination of military and civilian production is not expedience, but a long-term strategic principle for the ordnance industry. All departments and enterprises within the ordnance industry system, from grassroots to the very top, should make great efforts to comprehensively carry out the principle of combining military and civilian production and develop civilian production as soon as possible. He advanced three concrete demands:

1. All ordnance enterprises should conscientiously carry out the principle of combining military and civilian production and develop civilian products without exception. No ordnance enterprises are allowed to seek any excuses to avoid engaging in civilian production. Each ordnance enterprise should engage



in one main industry, go in for "diversified economy," produce its own basic civilian products, combining military and civilian production and use civilian production to support ordnance production.

2. Regard the development of civilian production as a long-term task and stick to it year in and year out. No one is allowed to use any excuse to neglect it. Continuously enrich, perfect, and improve the quality of civilian products according to market demand, so that more products will enter the international market. Enable every ordnance enterprise to possess considerable production capacity for civilian products and several well-received, fine-quality civilian products, so that even if ordnance production is stopped the enterprise will still bear no losses and continue to exist, develop and make contributions to the country.

3. Further eliminate barriers between departments and industries and eradicate the usual practice of forming systemwide and vertical chains; form economic associations with local industries according to the principle of being economical and rational to make products that sell well in the market. In forming economic associations with local industries, ordnance enterprises should be practical and realistic, and in joint production should be willing to not only play the "pioneer," the "dragon's head," but also the "dragon's tail," that is, to play a supporting role, in order to benefit the revitalization of local economies.

12974/12913

CSO: 4006/39

## NATIONAL POLICY AND ISSUES

### PROMOTING PRIVATE BUSINESS LONG-TERM CPC POLICY

OW211529 Beijing XINHUA in English 1451 GMT 21 Dec 85

[Text] Hangzhou , December 21 (XINHUA)--There are about 11.22 million private business households in China, involving about 16.69 million people, an official said here today.

In addition, 2.5 million people have organized 230,000 cooperative businesses, according to Wang Zhongming, an official of the State Administration for Industry and Commerce, who was here attending a meeting to found the National Federation of Private Businesses.

Most of the private business households are engaged in the service trades. Many of them serve as a bridge between urban and rural areas by bringing industrial goods to the peasants and farm products to city dwellers.

In the wake of the development of this sector, many traditional handicrafts and native products have resumed production.

Clean restaurants, neat guest houses, and shops run by private businessmen are appearing in all the cities of China, even in remote regions.

There are now 36.06 million private shops or street pedlars, 1.13 million private snack bars and 1.47 million private repair centers throughout the country.

"Private businesses are benefitting both individual specialized households themselves and the construction of the whole national economy," Wang said.

In fact, he said, they are an important supplement to the national economy, which is based on public ownership.

"Promoting the urban and rural private economy is a long-term policy of the Chinese Communist Party and government," said Wang. "It is playing an important and irreplaceable role in developing social production and promoting employment."

By the middle of this year, federations of private businesses had been set up in 90 percent of the country's cities and counties.

Private businesses were regarded as the "bourgeois tail" to be cut off during the "Cultural Revolution" (1966-76).

There were 140,000 private business people in 1978 when government policy began to relax to permit their existence. Since then, more than 920,000 urban unemployed and over 13 million surplus rural laborers have been absorbed into various kinds of private business.

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CSO: 4020/143

## NATIONAL POLICY AND ISSUES

### INTER-REGIONAL ECONOMIC COOPERATION FLOURISHES

OW261042 Beijing XINHUA in English 0845 GMT 26 Dec 85

["Round-Up: Inter-Regional Economic and Technical Cooperation Flourishes in China"--XINHUA headline]

[Text] Beijing, December 26 (XINHUA correspondent Wang Zezhen)--Inter-regional economic and technical cooperation has developed in a comprehensive, organized and planned way throughout China, knocking down barriers between regions and departments characteristic of China's economic activities in the past.

This marks a major change in Chinese economic activities over the past five years and has injected renewed vigor and vitality into the economy as a whole.

Reports from all parts of China show that cooperative schemes numbered 35,000 in the first ten months of this year, involving six billion yuan of investment.

Inter-regional cooperation, a policy adopted by the Chinese Government during the current economic reform, will help regions and enterprises display their advantages, make better use of their human, material and other resources, promote technical progress and streamline the industrial structure.

Inter-regional economic activities are particularly flourishing in those areas closely linked by geographical and historical conditions. For example, with 32 inter-provincial highways, Liaoning, Jilin, and Heilongjiang Provinces in northeast China regularly supply each other with coal, coke, cement, steel, aluminum, timber, glass, and other materials.

Cities have started to group themselves for economic purposes in Liaoning Province, with the provincial capital Shenyang as a center, and along the Yangtze River, the longest waterway in China.

Urban-rural economic ties have brought in technical forces and funds to the rural areas, while urban enterprises have expanded production, with work sites and laborers provided by the countryside.

Technical items rose to 60 percent among the cooperative projects, compared with 40 percent last year. Technical cooperation includes transfer of research findings, services for technological transformation and integration of research with production.

While stressing mutual benefits in the cooperation, the Chinese Government encourages aid to backward regions. Tianjin and Shanghai cities, and seven provinces have built 43 major projects in the Tibet Autonomous Region. Shanghai, Beijing, and Jiangsu Province have also helped Yunnan, Shaanxi, and Jiangxi Provinces and the Guangxi Zhuang Autonomous Region with funds, technical force, and equipment.

Turning the defense industry to civil production is another major trend this year. The defense industry transferred 20,000 technological projects to civilian industry in the first half of this year. At present, 40 percent of the defense industry products are civilian goods.

At a national meeting held here Tuesday, State Councillor Zhang Jingfu stressed the importance of inter-regional economic cooperation, especially cooperation in the technological field and urged various localities to carry out such activities on a wider scale in the coming year which ushers in the country's Seventh Five-Year Plan.

He said that each region has its advantages and disadvantages, so inter-regional cooperation will help them achieve the best results through displaying their advantages and making up for deficiencies.

But cooperation must be based on equality and mutual benefit, according to Zhang.

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PROVINCIAL AFFAIRS

ENGINEER URGES BETTER URBAN PLANNING TO SUIT REFORM

Harbin HEILONGJIANG RIBAO in Chinese 26 Aug 85 p 2

[Article by Heilongjiang Provincial Construction Commission Senior Engineer Qin Zhijie [4440 1807 2638]: "Do a Good Job of City Planning To Suit the Needs of Reform"]

[Text] In the recent document "Suggestions Concerning the Reform of Examination and Approval System of Urban Capital Construction Projects," which was drawn up by the provincial economic system reform committee and provincial construction commission and transmitted by the provincial government's general affairs office, the suggestion to "make a good job of urban construction planning" was put forward. This suggestion is of great importance.

Since the 3d Plenum of the 11th CPC Central Committee, urban planning in Heilongjiang has gained a relatively rapid recovery and development, and formulation and examination of urban construction plans for approval are unfolding throughout the province. So far the 16 cities that have been granted jurisdiction as municipalities have all completed the formulation and technical evaluation of their overall plans. Except for the provincial capital, Harbin, whose overall plan is pending for approval by the State Council, the other 15 cities' overall plans have all been approved by the provincial government. Among the 63 county seats that have been granted jurisdiction as townships, 53 have completed the formulation and technical evaluation of their overall plans and their plans have been examined and approved. In their overall urban plans, these cities in general determined, in accordance with the requirements of urban planning formulation, the nature and scope of the urban development, functional zoning in land utilization as well as the overall distribution of various construction projects. Some cities also formulated detailed plans, on the basis of their overall plans, which made concrete arrangements for construction projects in the areas where entire street blocks or streets are being built and rebuilt in the near future, providing a basis for urban construction and management. Meanwhile, governments of these cities and counties, in order to coordinate with the implementation of the urban plans, are gradually perfecting and formulating methods of urban planning management, which has initially changed the previous situation, in which every unit undertook construction in its own way in a disorderly way. This demonstrates that our province's urban planning and management has started on the right track.

We should also see, however, that because urban planning is a comprehensive job involving wide and complex branches of learning, such as politics, economics, technology, art and other fields, plus the fact that the status and role of urban planning in socialist construction is still not fully understood by people, many problems still exist in many aspects, such as the working system of organizations, setting up of organizations, giving play to comprehensive function as well as technical force, and we need to make further efforts to tackle them. And especially on the subject of how to suit the needs of current urban economic reform and still better serve the prospering of urban economy and improving the standard of living of the urban people in urban planning, we still need to deepen our understanding, make efforts to explore and continuously sum up experiences in the concrete practice of our work.

The volume of our province's construction task is very large and most of capital construction investment is concentrated in the cities. Various kinds of contradictions are very prominent, largely because urban planning and management cannot meet the needs of the development of urban construction. Besides studying and solving the question of how to exercise centralized and unified leadership in urban planning and management, amplifying organizations, simplifying examination and approval formalities, reforming the examination and approval system and shortening the construction cycle, we need to do a good job of the following tasks at present:

1. Formulate a detailed plan according to the approved overall urban plan. Large and medium cities should also formulate urban plans by district. Although most cities in our province have completed the formulation of overall plans, the task of urban planning is still far from being completed. On the one hand, some of the already formulated overall plans still need to be supplemented, revised and amplified according to actual changes; on the other hand, according to our country's current formulation methods, urban planning is divided into two phases: the overall plan and the detailed plan. The overall plan is mainly to solve strategic and directional questions in the distribution of urban development with the emphasis on the macrocosm while only the detailed plan can make concrete arrangements for various urban construction projects. For instance, in constructing a street, or a residential area, or the downtown area or a square, only detailed plans can give concrete guidance. Large and medium cities, because of the size of their city proper, also need to have plans for each district on the basis of the overall plan, so that a comprehensive arrangement can be made of various projects in the district plans. In addition, it is required that the designing of some large buildings be accompanied by the designing of their surrounding environment. This is a long-term, highly technical and comprehensive task. Therefore, the designing force of urban planning must be strengthened and staffed with technical personnel in related special fields. Besides making proper transfers in the construction system and adopting the method of planned competition to mobilize forces of all sides, we must also train new force in a planned way in order to suit the needs of development of our cause.

2. Urban planning departments should put forward regional plans for the distribution of city and town development to coordinate with the national and provincial territory planning, which is arranged in a unified way. In accordance with the needs of the development of urban and rural economy, proceeding from the needs of overall and regional economy and in line with the government's urban development principles and technical and economic policies, we should make rational distribution of large, medium and small cities and towns, further make clear the nature, division of work and development scope of city and town development, give full play to the status and role of central cities of all levels, organize city and town systems and city and town groups and promote coordinated development of the cities and the countryside. The city and town distribution plan should be combined with the exploitation and utilization of resources and key projects' choice of sites to properly handle the relationship between cities and industries. In the overall plan formulated by our province, the nature, scope and developing direction of cities are determined, but with cities as regional centers, we still need to give it more consideration in view of the strategic distribution of regional economic development in the territory plan to avoid mistakes in overall decisionmaking.

3. Perfect and draw up regulations concerning urban planning management and gradually change the situation in which urban planning management basically relies on "rule by man." At present, in urban construction and management, the phenomenon of "no laws to go by" and "rules being ignored" is still very serious, and this situation does not fit the goal of building modern socialist cities. In the past, imperfection of the legal system was the major reason that contributed to "rule by man." Therefore, drawing up and perfecting regulations concerning urban planning is essential. Last year, Regulations Concerning Urban Planning, the first basic law in the field of urban planning, was proclaimed by the State Council, and urban planning and management now has legal guarantee. Based on this law, local governments should, in accordance with local circumstances, draw up implementation measures, and formulate detailed rules with regard to the management of real estate, construction regulations, public utilities, municipal engineering, environment and afforestation and technical records, so that there are laws to go by and various urban management can be well performed.

4. Conduct urban science research and explore laws of urban development to guide the practice of urban construction. We should give play to the combined force of theoreticians and practioners in related fields, unfold multisubject, multilayer urban science research, push forward the development of theoretical research of socialist urban science to provide a theoretical basis for solving practical problems, and further raise our theoretical level and professional skill in constructing socialist modern cities.

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## ECONOMIC DEVELOPMENT ZONES

### EASTERN PROVINCES COOPERATE TO BOOST PRODUCTIVITY

OW211044 Beijing XINHUA in English 0741 GMT 21 Dec 85

[Text] Shanghai, December 21 (XINHUA)--Nearly 3,000 factories and offices on the prosperous Yangtze River Delta have forged co-operative links among themselves to boost efficiency and profits, a local economic chief told XINHUA.

Their output value has soared by 2.7 billion yuan and profits have increased by 300 million yuan over the past year through their more efficient use of materials, technology and workers.

Since the delta was designated a special economic area 3 years ago, enterprises within 26 business sectors have begun to co-ordinate their planning and to supply each other with technology, business information, materials and funds.

These sectors include chemicals, light industry, textiles, machine building, metallurgy, transport and communications, banking, statistics and tourism, said Zhou Guangchun, deputy director of the State Council's Shanghai Planning Office for the area.

With Shanghai at the center, the economic area embraces Anhui, Jiangsu, Zhejiang and Jiangxi provinces.

Since December, 1982, efforts have been made to restructure industry and break down local barriers which had hindered co-ordinated growth, said Zhou.

Provincial governors and Shanghai's mayor meet regularly to discuss economic planning and co-operation within the area. Economic fairs are held to exchange technology and business information.

Bicycle factories in the area have joined forces to produce the popular "Yongjiu" (everlasting) and "Phoenix" brands. Several factories manufacture separate bicycle parts.

As a result, an extra million bicycles are expected to be produced this year without any additional state investment.

The ports of Ningbo, Nantong and Zhangjiagang have handled 3,590,000 tons of cargo diverted from Shanghai over the past 2 years---easing congestion at China's busiest port.

And the four provinces and Shanghai are also co-operating on cleaning Taihu lake and harnessing it for industrial purposes, building power stations to ease the area's electricity shortage and renovating the textile and electronic industries.

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CSO: 4020/148



## ECONOMIC DEVELOPMENT ZONES

### HEBEI GOVERNOR DISCUSSES QINHUANGDAO DEVELOPMENT STRATEGY

SK060400 Shijiazhuang HEBEI RIBAO in Chinese 18 Nov 85 pp 1, 2

[Article by Zhang Shugang, deputy secretary of Hebei Provincial CPC Committee and provincial governor, carried in HEBEI XUEKAN [HEBEI JOURNAL] to be published soon: "Speed Up the Pace of Economic and Technological Development of Qinhuangdao City"]

[Text] Qinhuangdao City is one of the 14 coastal port cities that our country opened to the outside world, and is a window of our province for foreign economic and technological development. Speeding up the pace of Qinhuangdao's economic and technological development has an important strategic significance in promoting investment from abroad and lateral ties at home, facilitating reform, and revitalizing Hebei's economy.

In order to develop and build Qinhuangdao, we should comprehensively analyze and understand the history, present situation, and superiorities of Qinhuangdao City, and its important position in the province.

Located north of Bohai Bay, Qinhuangdao City is the only port city of our province. Governed by the prefecture, it had weak economic strength and poor technical forces, and witnessed slow progress for a long time. During the past 2 years, following reform and opening to the outside world, the city came under the jurisdiction of the province instead of prefecture, areas under its leadership were expanded from four districts to four counties and three districts and its population increased from 300,000 to 2.3 million thanks to the enforcement of the system of making cities lead the surrounding counties, and then it was designated by the central authorities as one of the 14 open cities of the country. However, we lag far behind this changed, objective new situation in terms of our economic and technical forces, and of our understanding, work, and organizations. We should proceed from this reality in studying ways to develop and build Qinhuangdao.

As one of the 14 cities that were opened to the outside world, Qinhuangdao is urged by objective demands to play its role as a link in introducing foreign investment and establishing lateral ties at home, and display its role in making the economy in the eastern region radiate in two directions, and its role as a window of knowledge, technology, management, and foreign policies. In other words, it not only serves as an area for experimentation, exploration

and study of our province's foreign economic and technological development but also has a tremendous appeal to the north, northwest, and northwest areas of China. We can see from this the important position of Qinhuangdao in our province. Over the past year and more, Qinhuangdao has done much work in reform and opening to the outside world, formulated an overall plan for urban construction, carried out some infrastructure and projects for the development zone, and imported some advanced technologies and construction projects. Great achievements have been scored in this, and our work has shown new improvement. However, because we have poor conditions and few experiences, and have yet to build a contingent of work personnel, our work is actually only at the beginning with ways still to explore. We still lag far behind the demand for playing the role as a link, a difuser, and a window. This fully shows the importance, necessity, and urgency of the acceleration of Qinhuangdao's economic and technological development. With more than 1 year of practice, we have accumulated some experiences, and are provided with favorable conditions for expediting the development and construction pace.

With the opening of Qinhuangdao City to the outside world, tourism has developed very rapidly. During this year's tourist peak period, more than 170,000 tourists visited daily, and the total number of tourists during the summer vacation period reached nearly 6 million, showing an increased of nearly 100 percent respectively over the last year. At present, tourist spots and basic facilities are far from meeting the demands. The problems of a shortage in dining areas, accommodations, traffic and tourist facilities, and commercial centers for tourists have become more prominent. This is another new situation which lies ahead of use. As a summer tourist spot, Qinhuangdao has the characteristics of concentrated tourists at a certain period and this has set a higher demand on our tourist work. It needs to develop more new tourist spots and to increase some service facilities correspondingly.

To develop and build Qinhuangdao, we should understand its favorable conditions and characteristics, grasp the major points and develop them according to priority. The geological position and historical conditions of Qinhuangdao, with Luda to the east, Tianjin to the west, and Jiaodong Peninsula to the south, have given rise to the favorable and unfavorable conditions of this city. Although the economic strength, exports of traditional product and the basic facilities of this city lack far behind Tianjin and Dalian, yet it still has many favorable conditions: First, it has a great potential for port development and its economic status is becoming more important. The Qinhuangdao port project is one of the state key construction projects during the "Sixth 5-Year" Plan period. It is also, at present, one of China's largest port for energy exports as well as the hub of sea-land joint transport for exporting coal from Shanxi and petroleum from Daqing. The port handling capacity of this city will double along with the completion and operation of the second-stage oil wharf project, the second-and third-stage coal wharf project, the container wharf, the wharf specially used for delivering mineral ores, and the wharf for sundry goods, and with the successive opening of the multiple tracking and electrification of the Beijing-Qinhuangdao railway and the realignment part of the Datong-Qinhuangdao railway. The development of ports and sea transport will surely expand the scope of raw material supplies for industrial production and the markets for the sales of products, enable Qinhuangdao City

to make economic contacts with other coastal regions, and promote material exchange between Qinhuangdao City and foreign countries.

Second, it has rich tourist resources and is a good summer resort with good prospects for development. It has many historical tourist places centering on Shanhai Pass, including Laolingtou which is the starting point of the Great Wall, Mengjiangnu Temple, and Yansai lake which the people call the "small Guilin of the northern region." It has the Beidaihe seacoast mixed with beautiful nature scenes and artificial buildings. In addition, it has a 90 li-long "golden seacoast" with water, sand, and forest all in beautiful harmony.

Third, it has established glass industrial production setups with international competitive capability. Qinhuangdao City has a glass production technical force of 19,000 persons and 25 glass and glass production supporting enterprises. It is near the raw material base needed for glass production with convenient traffic facilities. At present, this city has more than 70 varieties of glass products and its plate glass is being marketed in more than 50 countries. What is more important is that this city has the largest glass research and design institute in China and that it has a fairly strong scientific research capacity and a capability of absorbing and digesting imported technology and of blazing new trails.

Fourth, it has an objective foundation for developing lateral economic relations with Tangshan City and for establishing the economic zone in the eastern part of Hebei Province. Before 1983, Qinhuangdao City, including the 3 counties under its jurisdiction and the 10 counties under the jurisdiction of Tangshan City, were all under the leadership of Tangshan Prefecture. Objectively, these political, economic, and geological conditions have helped Qinhuangdao City form long-term internal economic relations and form an economic zone in the eastern part of Hebei Province centering on Tangshan City. After eastern Hebei was established as a corn production base, such economic internal relations became even closer. The eastern Hebei economic zone with Qinhuangdao as its door, the eastern part of Hebei as its hinterland, and Tangshan City as its supporter will possess tremendous comprehensive economic superiorities.

In summarizing what I mentioned above, we have gone through a course of practice and understanding and repeating it, improvement, and enhancement in our understanding of Qinhuangdao. When going through this course, we certainly paid the prices, either big or small, including some shortcomings and mistakes that occurred. Now when we are studying ways to develop and construct Qinhuangdao, we should unify our ideas and understanding, strengthen leadership, and concentrate efforts on the economic and technological development and construction of Qinhuangdao and the foreign economic and technological development of the entire province as a whole, and take them into consideration.

## II

After we have understood the present situation, the superiorities and the position of Qinhuangdao City, we should proceed from reality to decide on the strategic measures, specific policies, and specific development projects for accelerating Qinhuangdao's economic and technological development. We should

make the best possible use of our favorable conditions, develop our three great advantages in harbor, tourism, and glass making, and achieve breakthroughs in these key areas. In this way, Qinhuangdao City will have its distinctive economic pattern among the open cities of the country, and will be able to enhance its ability to diffuse its economy toward the world and the hinterland.

In developing the harbor, in addition to the state's key investment, Qinhuangdao should adhere to the principle of combining the development of the city with that of the harbor, and adopt the method of mutual development, mutual benefit, and equal sharing of interests. First, it should take into consideration the plans for harbor development when it formulates the plans for the city development, decide on its short-term development projects and long-term development projects, and combine them. On the basis of the situation on Qinhuangdao's seacoast and land territory, it may cooperate with Liaoning in the future and gradually develop eastward to form a port area covering more than 100 li to reach Zhimiao Bay in the east and the economic development zone in the west, and to link Shanhai Pass and Qinhuangdao Harbor in the middle. Second, it should fully use its present advantage of large cargo handling capacity to increase service projects and, in particular, expand its cargo storage areas and develop on-the-spot processing. In addition, it may embark on, either in cooperation with the port office or independently, such business as sorting out cargo for shipment, transshipment, fuel and material supplies, and development of roads in the harbor area, and open various service projects such as shops, restaurants, and hotels. Third, following the continuous expansion of the decision-making power of the harbor, we may set aside an area within the harbor on the basis of the state plan for the development of the Qinhuangdao Harbor and the arrangements for the city construction, and absorb funds from various quarters to build wharves, special-purpose warehouses for containers and bulk cargo, and plants there. Fourth, taking advantage of the favorable condition of Qinhuangdao Harbor as a corn export harbor, we should restructure our province's farming on a fairly large scale. Eastern Hebei is famous for its corn production. Tangshan and Qinhuangdao should take the lead in establishing a joint economic zone which coordinates scientific research, breeding, planting, purchasing, storage, packing, transport and export, and develop both lateral and vertical economic cooperation in order to further expand the scale of the base for corn export.

Development of the advantage in tourism should be emphasized. Qinhuangdao is fairly close to such large and medium-sized cities as Beijing, Tianjin, and Tangshan. It will receive both domestic and foreign tourists. In developing tourism, we should pool together the efforts of the state, the collective, and the individual and base ourselves on the available resources. Foreign and domestic efforts should be combined with the former as the main, and facilities for high, medium, and low consumption should be built with those for medium and low consumption as the emphasis. At present the major work is to solve the difficulties of tourists in finding places to eat, live, sightsee and shop, and in finding transport facilities, to expand the city's capacity to accommodate tourists, and to gradually improve the functions that a tourist city should possess.



First, we should develop the existing resources in several steps. In the first step, we should include Qinhuangdao in the Beijing tourist cooperative zone including Chengde, Dongling, and Xiling with the focus on Beijing. In the second step, we should develop Nandaihe seashore in Funing County and the "golden seacoast" in Changli County. In the third step, we should develop Li County extending from Haibinpu river estuary to Luanhe estuary and to Wang beach in Leting County. In this way, the harbor area and the tourist areas will surround Bo Hai and will merge together to form the outline of a 300-li seacoast belt-shaped city extending from Zhimao Bay to Shanhai Pass, Qinhuangdao Harbor, Beidaihe, "the golden seacoast" and the Wang Beach, which will greatly attract domestic and foreign tourists. Second, traffic facilities in the tourist areas should be coordinated with that of the whole city, so that traffic lines in the city outskirts will extend in all directions, linking up with the highway trunk lines and the airport. The city's traffic lines should not be hindered and should be linked up with railway stations and wharves in order for tourists to easily go in and out of the city, go sightseeing, visit, and do shopping. Third, we should set up tourist service facilities for various degrees of consumption, and should improve tourist operation, management, and service quality. In addition to building some high-class hotels and restaurants with funds financed jointly by domestic and foreign traders or exclusively by foreign traders, and to absorbing advanced technological and managerial experiences, we should carry out multichannelled and multisided cooperation with all localities throughout the country and attract more countries and collective units to build permanent facilities in the city. Furthermore, we should encourage and support the individuals to operate family-based inns and restaurants. Meanwhile, we should adopt preferential measures to absorb domestic and foreign capital, technology, and equipment to develop modern service undertakings to enable Qinhuangdao City gradually become one of the tourist, information, scientific and technological, and cultural exchange centers in the northern region of China, and play a supplementary role in Capital Beijing, Hebei provincial capital Shijiazhuang, and Tianjin Municipality. Fourth, we should vigorously develop the production of tourist products. First of all, we should develop the production of farm and sideline products, especially foodstuffs of local flavor. Second, we should develop handicraft articles, gifts, and durable consumer goods of local and native distinctions for tourists for them to take to their local areas. To this end, we should strengthen internal cooperation especially with large cities such as Shanghai, Beijing, and Tianjin municipalities, and develop a group of light industrial enterprises and food processing industrial enterprises. In this way, we will develop our city and expand the utilization of technology and equipment of some fairly developed large cities. Both parties will be benefited.

In developing the glass industry, we should combine technological transformation with developmental production and use transformation to promote production. We should note the present large demand of glass and give full consideration to greeting the challenge of the world's new technological revolution. The use of glass will become more and more extensive. This calls on us to bring forth ideas, to pay attention to imports, to develop new technology and new techniques, and to vigorously carry out technological transformation. First, we should increase the quantity, quality, and the varieties of plate glass, and strive to export more and to create more foreign exchange. We should



exert special efforts to develop high-grade, precision, and highly sophisticated product and solve the problem of relying on imports domestically. Second, we should develop glass for industrial and technological use and should open up new international markets. Third, we should use our own favorable technological and equipment conditions to arm the province's medium-sized and small enterprises and to expand the production capacity of quality glass. Fourth, we should carry out large-scale and specialized cooperation with other enterprises, stress the establishment of raw material production bases for commodity production and supply good quality raw materials for various plants as well as for the whole trade in a unified manner.

Through foreign economic and technological development, Qinhuangdao City is bound to experience new changes in its economic position among the open coastal cities of the country, will become, in the near future, an open city that is primarily a center for transferring energy resources and tourist area with scenic spots, and will, in the long run, become an international port city functioning as a tourist site and health spa, and engaging mainly in glass industry and processing industry for export.

### III

Developing Qinhuangdao City's economy and technology at a quicker pace is [a] new task, in which we lack experiences but which needs certain economic and technical strength support. Qinhuangdao City very evidently, cannot perform alone. Only the forces mobilized and organized throughout the province can prove effective. Therefore, this is a task not only for Qinhuangdao alone but also for the whole province. We should clarify the following issues in our guiding ideology.

First, we should definitely and firmly foster the idea of developing the three great advantages. The three advantages of harbor, tourism and glass industry have been formed through historical conditions. These are objective advantages. We should pay attention to these three key areas, and make breakthroughs in them so as to promote the work as a whole. We should focus on these three advantages when we make arrangements for the projects of development and construction. We should distinguish important and urgent projects from those which are not, and give prominence to key ones instead of embarking on projects in all fields and striving to score achievements in all areas. This principle should be applied first of all to the projects we import. Projects conducive to the development of these three advantages should be carried out vigorously. Those having nothing to do with the development of the three advantages should be postponed or not carried out at all, and those which cause serious pollution, consume large amounts of energy and are detrimental to the development of the advantages must never be conducted. In particular, we should not pollute the coastal resources and damage the marine resources of our projected coastal strip starting from Zhimiao Bay in the east and ending at the Luan He estuary in the west. This principle should next be applied to economic policies. Funds, technologies, equipment, and materials should be guaranteed on the priority basis for trades with advantages, including the technical transformation of microelectronic and other burgeoning industries. At the same time, preferential treatment in taxation and credit should also be given to them.

Second, we should definitely and firmly foster the idea of fighting a battle of annihilation with concentrated efforts. Qinhuangdao City is the bridgehead in our province's opening to the outside world. Its economic development directly serves the economic development of the whole province. For this reason, when we consider the province's "Seventh 5-Year" Plan, we should place Qinhuangdao City's opening to the outside world in an important position. All provincial departments, and all prefectures and cities are responsible for the economic and technological development of Qinhuangdao City. They should unify their plans, make overall arrangements, concentrate certain forces on the development of Qinhuangdao, and see to it that a project can yield returns whenever it is developed or constructed, and that development is carried out steadily in a down-to-earth manner. At present, close attention should be paid to the construction of such infrastructure as water and power supply, transportation and telecommunications facilities so that favorable conditions for the development can be created. In addition, we should pay attention to the several already imported key projects, and use them as models to train our contingents, enhance our ability, and accumulate experiences. We should also concentrate efforts to achieve some breakthroughs in some old enterprises' technical transformation projects which require short construction periods and yield quick results. We should educate cadres throughout the province to take the overall situation into account, suggest ways and means for Qinhuangdao's economic and technological development, and shoulder their responsibilities. Projects good for Qinhuangdao should be carried out in Qinhuangdao in a priority basis, and other localities should not contend for them. Projects conducive to Qinhuangdao City should be conducted by Qinhuangdao City. Once Qinhuangdao enhances its strength, its role in opening to the outside world will be fully played, and the economy of the whole province will be revitalized.

Third, we should definitely and firmly foster the idea of establishing lateral ties at home and introducing foreign investment, and of promoting foreign investment with domestic lateral ties. An open city must perform its function as a "window" to the country and the world, which is decided on by its economic strength. The scale of Qinhuangdao City itself is small, and it lacks funds and sufficient scientific and technical personnel. In order to gain the initiative in opening to the outside world, a conspicuous issue is to make itself more attractive for foreign investment. It should increase its strength in importing foreign investment with domestic lateral ties, further promote use of foreign investment, and coordinate foreign investment closely with domestic lateral ties, and coastal development with the development of the hinterland. Many prerequisites are needed for the import of capital from outside, in particular high technology capital. The most fundamental one is to have a "qualified" partner for cooperation or mutual reinforcement. We should create the "qualifications" ourselves. The only way out is domestic lateral ties, using the strong points of the hinterland to offset our weaknesses. In establishing lateral ties at home, we should act according to the economic law, and adhere to the principle of voluntary participation, mutual benefit exchange of equal values, and joint and coordinated development. There should be multifarious forms of ties, major and subsidiary projects when we make selections of projects, and an order of priority when we make arrangements for the projects. We should consider the economic pattern of Qinhuangdao and the entire eastern area of Hebei as a whole. In imports, priority should be given to the advanced

technology and equipment. Qinhuangdao should develop the products competitive on international markets, and export more and earn more foreign exchange so that it can lead the technical transformation of the whole province, and perform its function in technological progress.

Fourth, we should definitely and firmly foster the style of thinking of making less empty talk and doing more solid work. Judging from its original economic foundation and traditional foreign ties, Qinhuangdao City is not in a favorable position among the 14 coastal open cities. The work of opening to the outside world cannot be successful without a serious scientific approach and a solid workstyle. Therefore, the call for making less empty talk and doing more solid work should not be discussed or written down on paper alone, but should be implemented through our actions. We should complete several jobs in a down-to-earth manner. The first is to strengthen propaganda toward foreign countries to expand Qinhuangdao's influence on foreign countries. We should not only strengthen foreign investigations and relations but also invite overseas businessmen and foreign personages of economic circles to tour, visit, and inspect Qinhuangdao so as to expand cooperation. The second is to do a good job in the investigations of resources. Eastern Hebei is Qinhuangdao's direct hinterland with abundant resources for development. We should organize specialized forces to conduct an overall survey of the resources of the Yan Shan range, the eastern Hebei plain, and the coastal areas in the eastern part of Hebei, and select the industries with advantages and develop them on a priority basis so as to create new economic advantages for Qinhuangdao City. We should gradually change the present exports of low quality goods into exports of goods produced with the distinctive resources of eastern Hebei through precision and intensive processing so that we can increase our competitive edges on world market. The third is to conduct conscientious prestige feasibility study of the projects which we have already imported or are preparing to import, and those we have already developed or are preparing to develop, and solicit opinions from various quarters in an effort to make it accurate and perfect. We should rely on scientific and technical personnel, experts and scholars, and in particular the forces of various central and provincial responsible departments, and pool the wisdom and efforts of everyone to make our work successful. The fourth is to reform the economic managerial system in line with the new situation and new characteristics emerging after opening to the outside world. Establishment of organs should be geared to the endeavor of opening to the outside world. Companies under the provincial department of foreign economic relations and trade, which have fairly large volume of business in Qinhuangdao, should open their businesses with foreign countries in Qinhuangdao City as soon as possible. Qinhuangdao City should further straighten out their organs of foreign economic relations and trade. As long as we follow the CPC Central Committee's general guiding ideology and principles for opening to the outside world and restructuring the economy, and explore our ways of advance in a down-to-earth and step-by-step manner, a brand-new situation in Qinhuangdao City's economic and technological development will certainly emerge.

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## ECONOMIC DEVELOPMENT ZONES

### PROGRESS IN TIANJIN ECONOMIC DEVELOPMENT ZONE REPORTED

Beijing RENMIN RIBAO (OVERSEAS EDITION) in Chinese 9 Nov 85 p 1

[Article by correspondent Xiao Kuo [5618 5441]: "Tianjin Economic Development Zone Begins Its Steady Development"]

[Text] The Tianjin economic and technical development zone, which has been in existence for only 10 months, is now beginning to make steady progress. Its imported items are mainly intended for industrial development and foreign exchange earning, and will play an important role in the transformation of Tianjin's old enterprises.

The building of the Tianjin development zone began in December last year with the State Council's approval. In accordance with the general and specific policies of the central authorities on opening to the outside world and by learning from the experiences of the earlier development zones as well as relying on the strong industrial foundation of Tianjin, this development zone has formed a contingent of cadres of whom 75 percent have received university or specialized college education and 50 percent are below the age of 35. In the past 10 months, its imports increased along with its development. By now, a rice mill with a floorspace of 30,000 square meters has been built in a 3-sq-km lot which served as a starting point. It has also negotiated with foreign traders on 137 projects, selected 31 key projects to be imported, and signed contracts for 18 of them, with probably, two or three of the plants formally going into operation at the end of this year.

Among the projects for which contracts have already been signed or will soon be signed, the Tianjin development zone has from the very beginning upheld the principle of undertaking mainly small and medium-size projects of high technical standards that are capable of yielding good economic results, maintaining their own foreign exchange balance, producing goods for foreign markets to earn foreign exchange, and speeding up investment returns. For example, the Jiatai Porcelain Products Co., Ltd, a joint venture formed with the Shihua Co. Ltd., of Hong Kong, will import advanced technology and equipment from Italy and use the porcelain clay of Jixian to produce enough high-grade



ceramic tiles for an area of 1.8 million square meters each year. Eighty percent of the products will be sold abroad and it is estimated that \$792 million can be earned in foreign exchange each year. By now, this development zone has signed contracts with the United States, Canada, France, the FRG, Denmark, Japan, Singapore, the Philippines and Hong Kong, totaling more than \$40 million in value, of which, 47 percent came from foreign sources. There are 10 projects selling 80 percent of their products on foreign markets.

In the use of foreign funds for development, the Tianjin development zone is particularly keen in the transformation of the local old enterprises and in developing the basic technologies, basic materials, basic elements and other key projects. In a joint project with Denmark for the production of high-grade and light-weight bicycles, it has imported the advanced technologies of welding, coating and electroplating. It has not only sold 90 percent of its products back to the European and U.S. markets, but also succeeded in producing the spare parts at home. It will raise China's bicycle industry to a higher standard.

The Tianjin development zone has also taken an important step in making use of the good facilities of Tianjin and Beijing in scientific research for bringing in foreign funds to set up integrated bodies of scientific research and production and to promote China's high technologies. For example, Tianjin Medical Academy and Nankai University have established connections with some relevant U.S. departments for developing the "mono-clone antibody" which will be a contribution to cancer research.

The development zone has also set up four sets of local statutes concerning foreigners, and these statutes have already been approved by the standing committee of the municipal people's congress for enforcement. In addition, it has invited professors Chen Linbo [7115 2651 2672] and Niu Manjiang [3662 3341 3068] of the United States and other noted specialists and scholars of the world to serve as honorary scientific, technological and economic advisers. Thus, the good investment environment in a former salt beach is now attracting increasing interest among foreign investors.

In early October, when the economic and technical development zones of the coastal open cities held a work symposium in Tianjin, the responsible persons of 11 zones and the departments concerned in the State Council inspected the Tianjin development zone. Gu Mu [6253 3668], member of the Standing Committee of the State Council, said that since Tianjin has been so careful in importing high technology projects capable of producing more products to be exported and earning more foreign exchange, it has made a good start and is taking the right path.

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## ECONOMIC PLANNING

### BEIJING TO PUT MAJOR INVESTMENT IN INFRASTRUCTURE IMPROVEMENT

HK250412 Beijing CHINA DAILY in English 25 Dec 85 p 3

[Article by staff reporter Wu Jingshu]

[Text] Beijing is to invest more than one billion yuan (\$320 million) next year to improve the city's infrastructure, especially its road system, to ease the worsening traffic situation and protect the environment of the Chinese capital, Vice Mayor Han Boping told CHINA DAILY yesterday.

Most of the investment--about 800 million yuan (\$250 million)--will be spent on expanding the Third Ring Road skirting southern Beijing and clearing bottlenecks along the Second Ring Road, where daily traffic jams hold up thousands of vehicles and buses, he said.

Beijing residents have been complaining about the city's sluggish bus service since the cold weather set in. "But increasing the number of buses alone will not solve the problem, if the roads remain as congested as what they are," Han pointed out.

The city has been boosting its bus fleet by about 300 new vehicles each year, according to the city's bus company.

Another major project next year is the supply of natural gas to the city's northern districts, where most of the capital's universities are located. The system will cost about 200 million yuan, he said. The natural gas is supplied through a 200 kilometre pipeline from the Huabei Oilfield south of Beijing.

Also planned for next year are housing projects totaling 4.5 million square metres of floor space, aimed at boosting the per capita living area in urban Beijing to seven square metres within the Seventh Five-Year Plan, he said.

The city's original target was to let its urban residents have a per capita living area of nine square metres: "However, the annual increase of more than 100,000 in urban population and also the lack of adequate infrastructure and utilities make a faster housing development impractical," Han explained.

The city will also develop a new waterworks to bring more water from the Miyun and Huairou reservoirs east of Beijing into the urban water supply. Recent rains have added 1 billion cubic metres of water to Miyun Reservoir.

"However, our main concern is still how to conserve water by cutting down unnecessary consumption in the city," he added.

Shortage of funds has made it impossible for the capital to develop new underground rail routes--which cost as much as 70 million yuan (\$22 million) per kilometre--despite the increasing traffic load on its surface roads, Han said. However, the current subway service will be improved by connecting its old east-west line with the new semi-circular line, around northern Beijing which opened this year. This will be done within a few years, Han said.

While still facing some problems, Beijing has seen an all-round economic boom this year. Urban workers' average incomes jumped by 29.7 percent to 1,300 yuan (\$400) and its rural per capita income rose 12.9 percent to 750 yuan (\$230), Han said.

Agricultural output value increased 17.8 percent over last year to 4 billion yuan (\$1.25 billion). Grain production hit a record 2.2 million tons this year.

The city's industry registered a growth rate of 10.7 percent this year, while its output value is estimated at 30.8 billion yuan (\$9.6 billion), Han said.

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## ECONOMIC PLANNING

### EXPERTS EXPLAIN GNP USE IN CHINA

Hong Kong TA KUNG PAO in Chinese 22 Sep 85 p 4

[Article: "State Statistical Bureau Experts Explain GNP-Related Questions; How Is It Calculated? How Can It Be Less Than Gross Industrial and Agricultural Output Value?"]

[Text] The "CPC Central Committee Proposal Regarding the Formulation of the Seventh 5-Year Plan for National Economic and Social Development (Draft)" points out that by the year 1990 China's gross industrial and agricultural output value will be 1.6 trillion yuan and her GNP will be 1.1 trillion yuan. Recently many readers wrote and called this news service asking what GNP is and why the figure is smaller than the gross industrial and agricultural output value. Toward this end our reporters interviewed experts from the State Statistical Bureau and asked them to answer questions of common concern to readers.

The experts say that GNP is a comprehensive index currently used by many countries that reflects national economic development. It encompasses both increased value in the five large material-producing sectors of agriculture, industry, construction, transport, posts and telecommunications, and commerce; as well as the net product plus fixed asset depreciation minus various costs to nonmaterial producers on these five material-producing sectors. It also includes the increased value for services; public utilities; finances; scientific research, cultural education and health services as well as state organizations, national defense and other nonmaterial producers. Although the scope of calculations for GNP is so large, why on the contrary is the figure smaller than that of the gross industrial and agricultural output value?

The experts explained that the gross industrial and agricultural output value reflects the gross value of industrial and agricultural goods produced in 1 year, which encompasses both raw materials and the transfer of value by the materialization of labor plus value newly created in that year. The figure is even lower if the transferred value portion is omitted and only the net value figure calculated. For example, in 1984 China's gross industrial and agricultural output value was 1.0797 trillion yuan, of which, energy, raw materials and other material consumption accounted for 598.2 billion yuan, or 55.4 percent, and net industrial and agricultural

output value for 44.6 percent. But the net national product of China's construction, transport, posts and telecommunications and commerce and the increased value of nonmaterial sectors was still rather low; the year's GNP was 664.3 billion yuan, only equal to 61.5 percent of the year's gross industrial and agricultural output value.

The experts say that the CPC Central Committee's present "Proposal Regarding the Seventh 5-Year Plan (Draft)" contends that starting from China's reality, in 1990 China's gross industrial and agricultural output value and GNP will reach 1.6 trillion yuan and 1.1 trillion yuan, respectively. According to this plan, during the Seventh 5-Year Plan GNP will sharply grow by 7 percent per year and certain nonmaterial producing tertiary sectors will develop even more rapidly. With regard to the situation in some developed countries, the growth of the nonmaterial producing tertiary sector is generally 40 to 50 percent or more of GNP. It is absolutely essential for China's economic construction and the people's livelihood to accelerate the development of these sectors and the entire tertiary sector.

Experts from the State Statistical Bureau said that while simultaneously continuing to use the comprehensive economic indices of gross industrial and agricultural output value and national income that were commonly employed in the past we will also use the GNP index. It is a useful indicator of overall national economic growth rates and levels, changes in state economic structure, and is useful for making international economic comparisons.

TA KUNG PAO announces that on 20 September, p 1, this paper printed news that "China's GNP will reach 1.6 trillion yuan in 1990." The figure should have read 1.1 trillion yuan. Page 1 also said, "In 1990 China's gross industrial and agricultural output value will be 1.1 trillion yuan." It should have read 1.6 trillion yuan.

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## ECONOMIC MANAGEMENT

### BALANCE RELATIONSHIP CHANGES IN CHINESE ECONOMY

Hong Kong JINGJI DAobao [ECONOMIC REPORTER] in Chinese 16 Sep 85 p 26

[Article by the State Statistical Bureau: "Eight Big Changes in Major Balance Relationships in Chinese National Economy During Sixth 5-Year Plan"]

[Text] One important economic and social development characteristic of the Sixth 5-Year Plan is the rather large change in balance relationships that used to be severely unbalanced. The major balance relationships in the national economy are basically in harmony. Yet further study and solutions are necessary because improvements in balance relationships were small and others showed new imbalances during the latter part of the Sixth 5-Year Plan.

1. With reference to GNP, balance relationships between the three major industrial sectors initially improved. This was mainly seen in the primary and tertiary sectors where development was notably rapid, reversing the former trend of slow development.

In the short 4-year period from 1981 to 1984 the average growth rate of the primary and tertiary sectors was 11 percent and 11.5 percent, respectively. The primary and tertiary sectors rose proportionately while the secondary sector fell. Yet compared with international standards, China's tertiary industries are still quite backward. In China, the tertiary sectors only account for approximately 22 percent of the national product, not quite one-third. In many cities social services are commonly wanting: food, clothing, housing and transportation are lacking; circulation is impeded and information is ineffective because of an undeveloped tertiary sector.

2. Balance relationships between agriculture and light industry are relatively harmonized, altering the situation whereby they lagged behind heavy industry. Since the 3d Plenum of the 11th CPC Central Committee, rural areas implemented a series of reforms and agricultural production made record progress. At the same time prioritizing the development of consumer goods slowed down the growth rate of the policy to implement "six preferences" in light industry and to readjust heavy industry. A striking characteristic of economic development during the Sixth 5-Year Plan is that balance relationships between light and heavy industry are gradually becoming rational.



With reference to the gross industrial and agricultural output value, the agricultural proportion rose from 27.8 percent in 1978 to 34.8 percent in 1984. The industrial proportion, on the contrary, fell from 72.2 percent to 65.2 percent. Light and heavy industry are basically equal in terms of gross industrial output value.

3. There were improvements within the agricultural balance, but forestry, animal husbandry and the fisheries industries were relatively weak. After several years of readjustment the agricultural production structure is gradually changing concurrent with the rather rapid development of the growing industries. Forestry, animal husbandry, sideline products and the fisheries industries are developing quite quickly. Various areas pay attention to the development and utilization of mountainous areas, water bodies, shoals, grasslands and other land resources. The proportion of the growing industries within gross agricultural output value dropped from 76.7 percent in 1978 to 70.1 percent in 1984 while that of forestry, animal husbandry, sideline products and the fisheries industries rose but is still quite backward. In particular, the animal husbandry proportion is too low. Compared to foreign countries, in general the animal husbandry proportion of gross agricultural output value in economically rather advanced countries like the United States, West Germany and the Soviet Union is higher than 40 percent, but it is still less than 20 percent in China. In recent years the reforested area has increased quite a bit but indiscriminate hacking and felling is still quite serious and the forest-cover ratio is still quite low.

4. Light and heavy industry developed evenly and balance relationships were in harmony but the internal structure of light and heavy industry is insufficiently rational. During the Sixth 5-Year Plan, even though the development of light and heavy industry exhibited fluctuations every year except 1981, because of a shrinkage in the capital construction investment scale and further growth in heavy industry, the fluctuations were small. Considering the first half of 1985, light and heavy industry accounted for 50.1 percent and 49.9 percent of total gross industrial output value, respectively. A balance between the two is seldom seen.

Within the heavy industry sector, excavation was behind raw materials and raw materials were behind manufacturing. During the first 4 years of the Sixth 5-Year Plan the manufacturing industries' output value increased on an average of 10.4 percent but the excavation and raw materials industries only increased 3.9 percent and 5.8 percent, respectively, affecting harmonized growth within the heavy industries. Despite the fact that imported foreign steel increased from 5 million tons in 1980 to 13.31 million tons in 1984 it was still hard to satisfy demands. The excavation and raw materials proportions of heavy industry output value fell year after year while the manufacturing proportion rose each year.

In recent years there have been notable successes in light industry production. Nevertheless, the product mix is still unsuited to the swiftly changing consumer structure and market demands. Progress is slow on product transformation, improving quality and increasing the kinds and varieties of goods. The contradictions between surplus production of overstocked goods

and insufficient quantities of goods in short supply is still quite pronounced.

5. Energy resources, transportation and state economic development are even more unsuitable. During the Sixth 5-Year Plan, energy resources and transportation were among the state economy's key construction areas. In proportion that energy and transportation accounted for among all construction investment rose from 31.8 percent in 1980 to 36.9 percent in 1984. The energy production and passenger-cargo volume plans were fully met. The shortage of energy resources, and electrical power supplies and transport in particular, intensified each day because of the more rapid development of the entire state economy.

6. The balance of consumption and savings is basically in harmony but still insufficiently stable. In 1980, the savings rate was readjusted to 31.5 percent. The savings rate fell to 28.3 percent in 1981, the early Sixth 5-Year Plan period. In 1982 and 1983 savings and consumption were basically in harmony.

It is worth noting that in the latter part of the Sixth 5-Year Plan savings and consumption funds both grew very quickly. There was a "supra-allotment" of currency at the state revenue level, too much currency was circulated and there were new imbalances between the supply of goods and purchasing power. Preliminary statistics say that approximately 20 percent of all new state revenue growth in the past 1 or 2 years was due to price rises and nominal state revenue growth.

7. The gap enlarged between purchasing power for social goods and supplies of retail goods. In the first 3 years of the Sixth 5-Year Plan there was an initial improvement in the imbalance between the supply of retail goods and the purchasing power for social goods that was seen during the late Sixth 5-Year Plan period. There was a small gap in 1981 and 1983 but 1982 was basically balanced. But the overgrowth of social demands since 1984 caused another rather large imbalance between supplies and purchasing power, and particularly for state revenue "supra-allotments."

8. There were improvements in the relationship between scientific education and economic construction. One of China's key economic development strategies is to accelerate the development of scientific education. In the Sixth 5-Year Plan state fiscal expenditures on education and research increased each year and their proportion in terms of total fiscal expenditures continually grew. Scientific education costs rose from 8.3 percent of fiscal expenditures in 1980 to 10.7 percent in 1984. The proportion of capital construction investment for scientific research and education among all capital construction investment rose from 5.9 percent in 1980 to 7.5 percent in 1984.

In recent years, the scientific education outlay was even higher if we include social fund accumulations for education and scientific research. The

state's support for scientific education in fiscal, material and policy terms promoted scientific development.

In sum, during the Sixth 5-Year Plan the state economy's major balance relationships were basically in harmony; this is one important reason for rather rapid economic development in recent years and improvements in macro-economic results. During the Seventh 5-Year Plan we must continue to support the coordination of important balance relationships, overcome weak links in state economic development, earnestly solve new problems that arise and promote the continuous, stable and harmonized development of the entire economy.

12615/13167

CSO: 4006/43

## ECONOMIC MANAGEMENT

### NEW PROMOTION RULES FOR SHAANXI STATE-OWNED ENTERPRISES

Xi'an SHAANXI RIBAO in Chinese 9 Aug 85 p 1

[Report by Zheng Zhanchao [6774 2069 6389]: "Shaanxi Issues New Regulations for State-owned Enterprises To Exercise Promotion Authority"]

[Text] Recently the provincial economic commission, provincial labor and personnel department and provincial federation of trade unions jointly issued a circular concerning the question of exercising a 3-percent promotion authority by state-owned industrial enterprises, demanding that they formulate and strictly implement promotion qualifications when filling the promotion quotas. Promotion qualifications must be discussed and approved by enterprise professional councils before implementation. Promotion as a reward has no time limitation and whoever makes outstanding achievements and meets promotion requirements can be promoted at any time.

The circular stipulates promotion ratios, which include: the number of workers promoted must not be less than two-thirds of the total promotion quota each year; the number of factory-level leading cadres promoted normally must not exceed one-fifth of the leading body (factory director and associate director, party secretary and associate secretary, trade union president, general engineer, general financial director and general accountant). The circular also stipulates that promotion of workers and cadres at and below the middle level should be examined and approved by the factory director and promotion of factory-level cadres (including the associate director and three "generals") should be appraised and recommended by the professional council, and then examined and approved by the higher level departments in charge.

The circular asks local governments and departments concerned to conduct an overall examination of the exercising of 3-percent promotion authority by enterprises under their governing in the past 2 years. All promotion salaries for factory-level cadres (including their associates) that were not appraised and recommended by the professional council and approved by the higher level departments in charge should be suspended without exception. Factory-level cadres who have been promoted for more than two ranks (not including fluctuating promotions) in succession since the beginning of 1983 should be reexamined and approved. And those promotions which have been strongly criticized by the masses and are really irrational should be corrected.

12974/12913  
CSO: 4006/39

## ECONOMIC MANAGEMENT

### SOCIAL SCIENTISTS SAY TIANJIN NEEDS SERVICES

OW140324 Beijing XINHUA in English 0240 GMT 14 Dec 85

[Text] Tianjin, December 14 (XINHUA)--Tianjin should greatly expand the service sector to free urban families from heavy household chores, according to local social scientists.

City people should have more time for recreation and study, said speakers at a seminar on lifestyles of Tianjin residents, which closed here last week.

The average worker now spends three hours a day on housework, mostly cooking, washing, shopping, and care of children, an official of the municipal statistics bureau said here. But the worker spends only half an hour each day on reading or educating children.

The bureau estimates that average income per person will rise to 960 yuan in 1992 from 800 yuan this year. Also, consumption patterns of the city's 3.7 million urban residents will change considerably. Families will be able to spend about 12 percent of their income on services and non-essential goods, up four percent from this year.

"The present commercial network is far from adequate," a social scientist said. Seminar delegates agreed that there should be more restaurants and child-care centers and that free markets should be widely distributed around the city to make life easier and chores more convenient.

They also called for stepped-up manufacture of ready-made clothing for people of all ages. Now about half of the garments are tailor-made or sewed at home.

Compared with 1985, Tianjin's average resident will eat about 27 kilograms of meat annually in 1992, up 30 percent. The number of eggs consumed will double to 20 kilograms, and fish and other seafood purchases will go up 60 percent to 14 kilograms.

The social scientists said that there should be a big growth in educational facilities. These should include vocational schools, on-the-job training, spare-time schools, and self-study.



Each Tianjin resident now spends only five yuan on stationery, newspapers, magazines, and tuition a year, the statistics bureau official said. This is 50 percent less than other large cities in China.

According to a survey last year on families with similar income, each member in families of intellectuals spent 11 yuan on education a year while that of workers' families was only 6.2 yuan.

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CS0: 4020/142

## FINANCE AND BANKING

### JOINT CIRCULAR ON FURTHER CONTROL OF BANK CREDIT FUNDS

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 8, 4 Aug 85 pp 8,11

[Article: "Five Banks Issue Joint Circular on Further Control of Bank Credit Funds"]

[Text] Our correspondent reports: The People's Bank of China, the Industrial and Commercial Bank of China, the Agricultural Bank of China, the People's Construction Bank of China and the Bank of China recently issued a joint circular to their affiliated branch banks on further control of bank credit funds. The circular points out: In order to strictly control the scope of fixed capital credits and guarantee the monetary needs for purchasing farm and sideline products and products suitable for export within the state plan, credits to rural and small town enterprises must be strictly controlled. In accordance with the principle that while credits and loans should be controlled, there must be flexibility, and each case must be dealt with on its own merits without indiscrimination, the following regulations are proclaimed:

#### I. Strengthen the Control and Management of Fixed-Assets Credits

##### 1. Strictly control fixed-assets credits according to plan.

2. Strengthen the examination of the feasibility of projects involving fixed-assets credits. Banks must conscientiously conduct feasibility examination of credit projects from both economic results and repaying capabilities. Credits should not be granted to those projects with poor economic results and without guaranteed repayments. Credits that have been granted to such projects must be cleared up and further credits must be stopped. As for capital construction projects arranged by the state in a unified way, if they are discovered not to meet credit requirements after examination by banks concerned, they should be reported to their headquarters to be studied and dealt with within a set time.

3. Strengthen the management of self-raised funds for capital construction. All self-raised funds for capital construction, including the five kinds of self-raised funds that the government's rules say are not included in capital construction scope, must be handled strictly in accordance with the regulations proclaimed by the State Council, i.e., they must be deposited in the Construction Bank under a special account one-half year in advance, and their withdrawal must be supervised. Other banks are not allowed to intercept

such funds or directly handle the deposit and withdrawal of self-raised funds for capital construction. The Construction Bank should set up and strictly control special accounts for self-raised funds and is not allowed to use the deposits of self-raised funds as credit funds for issuing credits out of the state plan.

4. Strengthen the management of trust credits and investment business. In view of the fact that quite a sum of this kind of credits is being used by fixed assets, all the specialized banks should stop handling new trust credits and investment business temporarily this year. As for continued construction of projects carried over from the previous year and projects that have been handled this year, their credits should be cleared up. All other trust credits for fixed-assets investment will be stopped without exception.

Different localities must strictly implement the regulations currently in effect with regard to bank credit funds and are not allowed to transfer bank deposits to other financial institutions so as to expand fixed-assets investments and credits. All nonbank financial institutions (including trust and investment corporations) in different localities must handle their financial business in accordance with the scope approved by the People's Bank of China and accept the management of local branch organizations of the People's Bank of China. To issue bonds and stocks, trust and investment corporations in different localities must apply to the People's Bank of China for approval.

5. Strictly control credits for rural and small town enterprise according to plan. Rural and small town enterprises should mainly rely on their own available funds. Only the Agricultural Bank is authorized to issue credits to rural and small town enterprises. And the amount must be restricted to what is allowed by the plan, and any amount beyond the plan must be retrieved within a set time. In issuing credits, each case must be dealt with on its own merits and, in principle, new projects will not get credits this year; as for those projects under construction, if they can be completed before the end of the year and show good economic results, they can be given preferential treatment in obtaining credits within the limit of approved bank credits.

## II. Strengthen the Control and Management of Foreign Exchange Credits

1. Foreign exchange credits, foreign exchange investment and foreign exchange guarantees by the Bank of China and other specialized banks in 1985 must be restricted to the plan approved by the government. And without the approval of the government, these banks are not allowed to issue permits or utilize foreign exchange beyond plan. Without approval, local banks are not allowed to take loans from foreign countries. In handling Class A and B special foreign exchange credits, efforts must be made to balance the foreign exchange and the renminbi between the two types of loans, and speculation is not allowed. Foreign guarantees must be handled in accordance with examination and approval jurisdiction and regulations concerned must be strictly observed.

2. Strictly control the issuing of import permits and speed up collecting payments in export. The Bank of China should guarantee payment for those imports whose documents under the letter of credit are complete and correct,

and refuse to issue the letter of credit for those imports that violate regulations concerning import and have no guaranteed funds for payment. Efforts must be made to improve payment collecting in exports. Document preparation and examination should be improved to guarantee their quality and quantity, express mail and claim by telegram developed and the system of urging collection in export set up and perfected in order to guarantee timely collection of payment in exports.

3. Strengthen control over purchase of foreign exchange and renminbi credits.

### III. Actively Support the Monetary Needs for Purchasing Farm and Sideline Products

In order that the farm schedule not be upset, at present the funds for purchasing summer grain, oils and other farm and sideline products within the state plan must be first of all guaranteed. Specialized banks should strengthen the transferring of funds within their systems and the People's Bank should strengthen the regulation of temporary credit funds. Meanwhile, banking services must be improved. Banks of all levels should adopt effective measures to actively organize deposits, collect expiring loans, strengthen the regulation of funds and guarantee customers' withdrawals.

In order to strengthen the control and management of the investment scope of fixed assets, consumption fund, bank credit fund and foreign exchange, banks of all levels should proceed from the country's overall interest, stick to principles, strive to do their jobs well and report in a timely manner to local party leadership and higher banks the problems they discover. Once a season, they should examine the local situation of fixed-assets investment and credits and loans and report to the higher authorities.

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CSO: 4006/42

FINANCE AND BANKING

BANK OF CHINA SHENZHEN SEEKS FOREIGN DEPOSITORS

Hong Kong TA KUNG PAO in Chinese 22 Sep 85 p 4

[Article: "Target Is Overseas Chinese and Hong Kong and Macao Compatriots; Bank of China Shenzhen Branch Starts Overseas Foreign Exchange Savings Accounts; Foreign Exchange Interest Can Be Withdrawn and Remitted Abroad at Any Time"]

[Text] A few days ago the Bank of China Shenzhen Branch started foreign exchange savings services targeted at overseas Chinese and Hong Kong and Macao compatriots. Funds deposited can be withdrawn at any time and interest will be compounded in foreign exchange.

The Bank of China Shenzhen Branch's newly opened overseas foreign exchange savings business is in U.S. dollars, British pounds, West German marks, Japanese yen and Hong Kong dollars. With reference to deposit methods, customers can personally go to Shenzhen to handle savings procedures or they can give the Bank of China Shenzhen branch full powers to handle the procedures by mail. Customer savings deposited in Shenzhen can be remitted abroad, to the Hong Kong and Macao areas or withdrawn in foreign currency from Shenzhen at any time. Should the customer desire payment in RMB, the bank will issue overseas remittance certificates in accordance with regulations.

With reference to these savings accounts, Shenzhen will compound interest in foreign currency. The interest rate will mainly float on the basis of the international situation and Shenzhen's contemporary situation.

Si Biao [0674 1753], deputy general manager of the Bank of China Shenzhen Branch, said that this service was established in consideration of the requests of overseas Chinese and Hong Kong and Macao compatriots. Because this is a new business and for administrative reasons, depositors' inland withdrawals are currently restricted to the Shenzhen SEZ. Following future modernizations in banking administration and operations, there is a possibility that customer withdrawals may spread inland and to other cities.

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CSO: 4006/43



## INDUSTRY

### EMERGENCE OF WUHAI AS NEW INDUSTRIAL CITY

Hong Kong TA KUNG PAO in Chinese 8 Oct 85 p 3

[Article: "Wuhai Emerges As New Industrial City in Nei Monggol"]

[Text] Wuhai, a burgeoning industrial city in China's northwest, is being developed into a new base for the production of energy, chemicals and construction materials.

Work has recently begun on the construction of a workshop at the chemicals plant in Wuhai capable of producing 40,000 tons of caustic soda annually. The sodium bicarbonate produced by the plant is much in demand by traders in such regions and countries as Hong Kong, Macao, Japan and the United States.

Situated in the western part of Nei Monggol, Wuhai, until 27 years ago a desolate expanse of sand, now has a population of 250,000. It has built 97 factories and mines employing 57,000 workers.

According to geological department analyses, there are 40 different mineral resources at the foot of the Helan and Zhuozi mountains within the boundaries of Wuhai. Among the minerals are coal reserves estimated at 4.2 billion tons in the 12 mining areas covering some 400 square km, consisting mostly of rich coal, rich coking coal, rich gas coal and primary coking coal which can be used as raw materials for the chemical industry, for generating motive power, and as mixed coking coal for the metallurgical industry. Annual production exceeds 6 million tons.

Wuhai's reserves of cement limestone, rock limestone, grey greenstone, marble and muscovite are also considerable. The Jilantai salt pond and the Eerduosi natural alkali lake located in the Wuhai vicinity are the sources of an endless supply of raw materials for the chemical industry.

The Xizhuozi Mountain Cement Plant produces 470,000 tons of high-quality cement annually. This modern cement plant, the largest in China's northwest, is in the process of importing foreign capital for the extension of its facilities.

In order to accelerate its pace of construction, Wuhai has, in the implementation of the open door policy, signed 47 agreements for economic cooperation with various localities in the nation and imported funds amounting to over 20 million yuan for renovations, the extension of the original enterprises, and the manufacturing of new products on a trial basis. At the same time, it has entered into discussions with various firms in foreign countries and Hong Kong to engage in joint ventures and compensation trade.

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## INDUSTRY

### LIAONING'S ENGINEERING INDUSTRY FLOURISHING

Yinchuan NINGXIA RIBAO in Chinese 30 Sep 85 p 2

[Article by Jiao Li [3542 0448]: "Soaring in Reform: Liaoning Province's Engineering Industry Flourishes"]

[Text] Comrades, have you ever been to Liaoning? Here the engineering industry spreads all over the province. If you set off from Shenyang, the central city of the engineering industry, to make an investigation tour of the province, you will find out that in Liaoning, there are industries manufacturing medium and heavy trucks, ray instruments, photographic equipment, excavators, high-voltage electricity ceramics and petroleum extraction equipment. In southern Liaoning, there are manufacturers of heavy-duty mining equipment, forging equipment, industrial boilers and automation instrument; in northern Liaoning, there are manufacturers of large-diameter low-pressure valves, bridge cranes and equipment for the chemical industry; in western Liaoning, manufacturing of hoisting and transportation equipment, power machinery, automobiles and electric power capacitors is also quite large scale. The province's engineering industry is really completed in categories and lacks no link in the whole industrial chain.

The development of Liaoning's engineering industry once had vigorous support from all parts of the country. In 1949, the province's engineering industry's fixed assets were only 100 million yuan and gross industrial output value over 60 million yuan. During the period of the First 5-Year Plan, the state decided to build the province into a key industrial base and invested more than 380 million yuan to transform and build a group of large and medium-sized backbone enterprises including the Shenyang Pneumatic Tools Factory. Vigorous technological, material and personnel support from all parts of the country greatly raised the technological and equipment level of the province's engineering industry, which gradually developed into a rationally distributed and well-equipped industrial manufacturing system that holds an important position in the country's engineering industry. Now, the province produces 10 percent of the country's machine tools and industrial automation instruments, one-fifth of air compressors and one-third of rock drilling machines. The production capacity of Liaoning's electric transmission and transformation equipment industry, whose mainstay includes the Shenyang Electric Cable Factory, Shenyang Transformers Plant, Fushun Electric Ceramics Factory, Jinzhou Electric Power Capacitor Factory and Fuxin Sealed Bus Bar Factory, accounts for 40 percent of the country's total. In 1984, the fixed assets of Liaoning's engineering industry reached 4.26 billion yuan and annual gross industrial output value was 5.44 billion yuan, accounting for

one-tenth of the province's gross industrial output value and the country's engineering industry's gross output value, respectively, thus holding an important position in the country's engineering industry.

Economic reform revitalized Liaoning's engineering industry and began to change the enterprises from pure production type to production-management type. A group of large and medium-sized backbone enterprises reformed their management system, "untied" and gave more power to workshops and thus aroused the enthusiasm of cadres and workers and reaped enormous economic results. Some enterprises broke up the boundaries between departments and regions to develop horizontal contacts. More than 80 out of the 120 large and medium-sized enterprises throughout the province carried out various forms of multilayered economic integration and thus revitalized themselves and made their products develop toward high-grade, precision and advance technology. Products with 1970's and 1980's technological level produced by these enterprises have increased from 7.1 percent in 1978 to 22.7 percent, including such new products as automatic commutating cutting tool, computerized horizontal milling and boring machines produced by the Dalian Machine Tool Plant and the Shenyang China-Czechoslovakia Friendship Plant, and voice-activated computerized turners produced by the Shenyang No 3 Machine Tool Factory. The Shenyang Pump Factory in recent years brought out more than 50 new products, among which 32 reached advanced world levels. These examples demonstrate that the technological level of Liaoning's engineering industry has entered a new stage. With the deepening of the reform, Liaoning's engineering industry will surely soar higher.

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## INDUSTRY

### RURAL INDUSTRY GROWTH TOPS STATE, COLLECTIVE ONES

OW201258 Beijing XINHUA in English 1151 GMT 20 Dec 85

[Text] Beijing, December 20 (XINHUA)--The growth rate of rural industry has outstripped that of state- and collectively-owned urban industries, wrote economist Xue Muqiao in BEIJING REVIEW released this week here.

The reason for the fast development of rural enterprises, Xue pointed out, is that many small rural factories are able to adjust and readjust their production according to market demands.

The small, village-run factories in the Wuxi area in Jiangsu for example, not only produce printed and dyed fabrics and do finishing but also make printing, dyeing and finishing equipment needed by other small factories.

Another important factor is that there are no restrictions, other than the market, on the prices of their products, the economist also noted.

In contrast, the state factories cannot maintain their consumption levels of coal, oil and electricity if they are required to pay negotiated prices since they cannot raise the prices of their products to offset the energy price rises.

Xue said the development of the rural collective economy on the basis of the previous commune- and production brigade-run enterprises is an ideal way to achieve common prosperity and solve some of the public welfare problems that could not be solved by individual households alone.

However, he also pointed out that it is important that rural factories continue to rely on market forces to guide their production. It is also important that the market not be flooded with products simply because they have proved to be popular.

The economist hopes that city and county authorities will draw up a plan for the balanced development of rural industry.

He called on the state-owned enterprises to help rural factories raise their technical level and improve the quality of their products.

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## INDUSTRY

### FOREIGN TECHNOLOGY BEARS FRUIT IN NEI MONGGOL

Hohhot NEIMENGGU RIBAO in Chinese 14 Sep 85 p 1

[Article by Li Xingsan [2621 2502 0005]: "Utilize Superiority in Resources and Vigorously Develop and Construct: Nei Monggol's Light Industrial Projects with Foreign Technology and Equipment Start Operating Fast and Generate Large Amounts of Foreign Exchange"]

[Text] With the support and assistance from higher level departments concerned, Nei Monggol's light industries, proceeding from local resource strength and production conditions, actively initiated 91 projects involving advanced technology and equipment from 15 foreign countries including Japan, the FRG, England, Switzerland, Holland and the United States, as well as countries in East Europe and Oceania. Total investment for these projects exceeded \$60 million, of which more than \$25 million came from foreign investors.

This complex of technology and equipment brought in by Nei Monggol's light industrial system include cashmere processing, wool spinning, dairy processing, sugar refining, garmentmaking, foodstuff processing, papermaking, etc., involving more than 10 industries. Among them were over 40 production lines and a large quantity of key equipment. Because of concerted efforts and good coordination from both sides, most of these projects have been completed and put into operation. Both sides are quite satisfied with the short construction cycle, fast experiment and operation and marked economic results. The Yimeng Cashmere Sweater Factory, which was built through compensation trade with a Japanese firm, went into operation in 1981 with a production capacity of 500 tons of cashmere and 30,000 cashmere sweaters. Within a year and half, the total investment of 33.73 million yuan was recovered, and in 1984, the factory handed in profit tax totaling nearly 30 million yuan to the state. The project's construction speed and economic results both rank first nationally in the industry. The 4,800-spindle wool-spinning equipment (compensation trade) supplied 'y the Mian-feng [phonetic] Corp of England and a Hong Kong corporation increased the factory's production capability for worsted wool by 1.5 to 1.7 million m after it went into operation. The grain pelleting production line brought in from Japan for the Baotou Sugar Refinery went into operation in 1983 with an annual output volume of 7,000 tons and generates an annual foreign exchange income of \$1.4 million. The supply of the product still falls short of the demand. In addition, two new projects currently under construction, the Hohhot Lactic Acid Bacterium Fermenting Center (being built with Belgian assistance) and the production line

purchased from Sweden to process 2,000 tons of fresh milk annually, will add new varieties to Nei Monggol and the country's dairy products.

Nei Monggol is rich in resources and has great potential in light industrial production; the cashmere processing, dairy production, beet sugar refining, wool spinning, leather processing and other industries hold particularly important positions in the country and have broad prospects for development. In order to improve product quality, increase exports and generate more foreign exchange, relevant departments of the Autonomous Region recently announced another group of light industrial technology-transfer projects for foreign customers to bid on.

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CSO: 4006/184

## INDUSTRY

### NEI MONGGOL CHEMICAL INDUSTRY OUTPUT, QUALITY IMPROVING

Hohhot NEIMENGGU RIBAO in Chinese 20 Sep 85 p 1

[Article by Mei Hongcai [5019 1347 2088]: "Output Value of Nei Monggol's Chemical Industry Doubles"]

[Text] During the past year, the Nei Monggol chemical industry persisted in making technological advancement its goal. The industry speeded up technological reform of enterprises, and by focusing on economic benefits increased its achievements in readjusting and restructuring. From 1980 to 1984, the chemical industry doubled its output value, reaching a level of over 300 million yuan. In 1984, the area's 77 state-owned independent accounting enterprises showed a net profit of more than 21.3 million yuan after profits and losses were balanced, and did away with their being labeled as enterprises that show losses year after year. This year it is estimated the output value will increase 5 percent to over 310 million yuan, and achieve a synchronized increase of output value and profit.

Nei Monggol has a weak chemical industry base and fairly backward technology. In 1980, its total output value was only 165 million yuan with the region's 80 state-owned independent accounting enterprises suffering losses of more than 7.87 million yuan. Under the guidance of the party's policy of "readjusting, restructuring, consolidating, and improving," the department responsible for work in the autonomous region's chemical industry resolutely "closed down and changed" enterprises that had incurred losses for a long period of time. After this, with technical advancement as their goal, the department relentlessly carried out technical reform of key enterprises, stressed product improvement, and emphasized development of new products. At the present time, technical reform has been completed or is in the process of being completed for 45 enterprises, over 30 kinds of new products have been developed and 42 other kinds are currently being developed, and 34 excellent products have been established. Two of these have received the State Silver Medal for Excellence, 5 have achieved the Ministry of Chemical Industry excellent product rating, and 27 have achieved the autonomous region's excellent product rating. Technical advancement has increased the enterprises capacity to handle contingencies, and the enterprises output volume has continually increased.

Currently, traveling workers and staff on the chemical industry front throughout the region have, under the inspiration of the Central Committee's

proposals for the national economy and the Seventh 5-Year Plan for socialist development, continued to stress technical reform of enterprises, and are determined to complete technical reform of the 45 enterprises ahead of schedule, while deriving more products and benefits from technical advancement. After these reforms are made, based upon Nei Monggol's nitrogen and lake resources, the production of the nationally-lacking mirabilite will reach 330,000 tons, an increase of more than 400 percent over 1984. Some of the region's chemical fertilizer plants will switch to producing the needed products, such as sodium carbonate, carbanide, and compound fertilizer. The chemical industry will use the oil from Nei Monggol's abundant castor beams to develop compensatory trade and import advanced equipment for producing fine chemical products.

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CSO: 4006/160

## INDUSTRY

### HYDROELECTRIC EXPLOITATION ON HONGSHUI HE

Hong Kong JINGJI DAobao [ECONOMIC REPORTER] in Chinese No 38-39, 1 Oct 85 pp 38-39

[Article by Zhang Rong [1728 2837]: "The Enormous Hydroelectric Project on the Hongshui He"]

[Text] Originating in the Yunnan-Guizhou plateau the Hongshui He is an important trunk stream on the upper reaches of the Xi Jiang in the Zhu Jiang basin. Flowing across the middle of Guangxi Province with towering mountains on both sides, the river is the "rich ore" of China's hydroelectric resources. In recent years, China's Ministry of Water Resources and Electric Power, after consulting with provinces, cities and departments concerned, decided to build 11 stair hydropower stations between Lubuge on the mouth of the Huangni He, which separates Yunnan from Guizhou, on the upper reaches of the Hongshui He and the Dateng Gorge on the Qian Jiang on the lower reaches of the Hongshui He. Total installed capacity of the project will reach 12 million kW and annual generation over 600 million kWh. At the same time the comprehensive utilization of flood control, navigation, irrigation and aquatic product will also be taken into consideration. After completion, the hydropower stations will not only change the situation in which southwest and south China suffer from insufficient power supply, but also transmit electricity to Guangzhou and Hong Kong by 500,000-volt hypertension lines and promote these regions' economic growth.

#### Superior Natural Conditions and Rich Hydraulic Resources

The Hongshui He, 1,050 km in length, has a total drainage area of 190,000 km, which is only one-third of the Huang He's drainage area. But its average annual flow capacity is as high as 130 billion cu m, three times that of the Chiang Jiang. In actual survey, the river's flow capacity at flood peak reaches 45,700 cu m per second.

Because the Hongshui He flows through the transition area between the Yunnan-Guizhou plateau and South China hills and plains, there is a concentrated number of drops. There is a total drop of more than 750 m from the mouth of the Huangni He on the upper reaches, whose altitude is 780 m above sea level, to the site of the Dateng Gorge dam, which is 23.5 m above sea level. There is a suprisingly precipitous drop of 181 on the stretch of the Nanpan Jiang between Tianshengqiao and the Nagong Jiang. Therefore, there exist extremely



rich hydraulic energy resources and superior condition for hydropower development.

#### Low Cost of Investment and Marked Economic Results

Many proposals to exploit the Hongshui He were put forward by departments concerned in the 1950's and 1960's, but were not carried out for various reasons. Since the beginning of the 1970's, extensive on-the-spot investigation, survey, analysis and research have been made and finally 11 spots including Lubuge, Tianshengqiao Bapan (high dam), Tianshengqiao Basuo (low dam), Pingban, Longtan, Yantan, Dahua, Bailongtan, Etan, Qiaogong and the Dateng Gorge were selected as sites for building stair power stations. Total investment will amount to more than 12 billion yuan with an average investment per kilowatt of a little over 1,000 yuan, which is 700 yuan less than that of the Gezhouba project on the Chang Jiang.

The upper reaches of the Hongshui He are an alpine and gorge area and thus provide relatively good topographical and geological conditions. Departments concerned chose spots where there would be smaller losses due to submersion to build Lubuge, Tianshengqiao, Longtan and other perennial regulating reservoirs in order to raise the power and multipurpose utilization benefits of the whole stretch of the river. The middle and lower reaches of the Hongshui He are of interspersed mostly limestone hills and plains, where population is dense, so low- and medium-head stair types are adopted to build large-flow-capacity riverbed stations. Because different stairs on the upper and lower reaches are closely linked and there is no loss of waterhead, the goal of making full use of hydro energy resources is attained.

Because of the reservoirs' fine regulating performance, high power generation benefit, high quality of electricity and superior economic indexes, investment per kWh averages only 0.20 yuan. The dams of the several main stair power stations on the river sit on shale rock and plastic rock strata. The regional geological structure is stable, earthquake intensity is low and general geological conditions are relatively good.

Calculating on the basis of all stair stations, submersion losses will be very small. On the average, for every 100 million kWh 272 mu of farmland will be submerged and 300 people relocated, accounting for only one-half of the current rate of China's large and medium-sized hydropower stations. These stations are close to load centers: generally from dozens to hundreds of kilometers and the furthest transmission distance, that between the Tianshengqiao Station and Guangzhou, is but 1,000 km, all within the rational transmission distance for 500,000-volt alternating and direct current transmission.

All in all, the Hongshui He stair hydropower stations' development conditions and technological and economic indexes are very superior and can rival the well-recognized hydropower "rich ore"--the hydropower base on the upper reaches of the Huang He. Their total installed capacity and investment are about the same, but the Hongshui He stations are nearer to the load areas and generate 20 percent more electricity and have even smaller submersion losses.

## Improve Electricity Supply in Guangxi and Develop South China's Economy

Except for the Lubuge Station supplying Yunnan Province, all other stations on the Hongshui He will supply Guangdong and Guangxi and Guizhou. Guizhou Province has rich hydropower resources and coal resources, but Guangdong's hydropower resources have mostly been exploited, therefore the construction of the Hongshui He hydropower stations has become the key to the development of south China's economy.

Situated in the subtropical zone, Guangxi has moderate climate, rich resources and large deposits of nonferrous metals, but unfortunately has lacked energy investment over a long period of time. In the past 2 years, Hu Yaobang and Zhao Ziyang visited Guangxi and pointed out that the province should speed up economic development in order to reach the country's medium economic level by the end of the century, that is, to realize an annual output value of 110 billion yuan. Last year, however, the province's industrial and agricultural total output value was only 19.8 billion yuan and registered a mere 4.8 percent growth rate as compared to the national average of 14.2 percent. Departments concerned estimate that calculating on the basis of 2 yuan worth of output value for each of the over 60 billion kWh generated by the Hongshui He stair stations, if Guangxi uses 40 billion kWh, it will be able to reap an output value of 80 billion yuan. Hence it shows that the hydropower construction on the Hongshui He will determine the course of Guangxi's economic development.

Along the Xun Jiang, Xi Jiang and Bai Jiang in the lower reaches of the Hongshui He as well as the Zhu Jiang delta are densely populated areas with relatively developed economy. Such industry-concentrated cities as Guangzhou, Wuzhou and Foshan are in this area. But because of insufficient power supply, economic development is hindered in Guangdong Province. Guangzhou has to use part of Hong Kong's thermal power. Therefore, building hydropower stations on a large scale on the Hongshui He is a strategic measure to solve the energy issue in south China. It is learned that the construction of the 500,000-volt transmission lines between Nanning and Guangzhou has started with the help of Japanese investment and is expected to be completed and put into operation by the end of the year. Undoubtedly, the development of hydropower of the Hongshui He will not only compensate for the insufficient power supply in south China and promote economic development, but also satisfactorily solve the question of peak modulation and frequency modulations of the electric grids of Guizhou, Guangdong and Guangxi.

Meanwhile, because of the construction of regulating reservoirs on the upper reaches of the Hongshui He, plus various kinds of rational and effective flood-control facilities, floods on the lower reaches will be greatly reduced. For instance, the flow capacity at once-every-50-year flood peak in Wuzhou will be reduced from 48,500 cu m per second to 44,600 cu m per second, and the flood peak now seen once every 20 years on the Xi Jiang and Bei Jiang and the Zhu Jiang delta will be reduced to once every 50 years.

Originally, the Hongshui He is not navigable upstream beyond the confluence of the Nanpan Jiang and the Beipan Jiang. And 600-odd km downstream from the confluence the river's many shoals and rapids pose difficulties for

navigation. Although the 100-odd km stretch between Sanjiangkou and Guiping is suitable for navigation, during flood periods the gorges have to be closed and navigation suspended for short periods of time, which result in small volume of goods transported. With comprehensive development and local dredging, navigational condition will improve. Other aspects such as irrigation, aquatic production and tourism will also benefit greatly.

#### Speed Up Development Process and Bring in Technology and Investment

Last February, China's Minister of Water Resources and Electric Power, Qiang Zhengying, visited Guangxi, Yunnan and Guizhou and inspected Dahua, Yantan, Tianshengqiao Basuo and Lubuge, the four hydropower stations whose construction is underway, and asked that construction be speeded up.

So far two power stations at Dahua and Etan have basically been completed and put into operation. The Dahua station is situated on the border of Du'an County and Mashan County of Guangxi Province on the Hongshui He. Its installed capacity is now 400,000 kW, but upon the completion of other upstream stations, will be enlarged to 600,000 kW. From November of 1983 to the end of last year, three generating units went into operation and the fourth generating unit will go into operation this coming August. This is a large-scale riverbed-runoff hydropower station, currently the largest backbone power station in Guangxi. It can provide 2 billion kWh of low-cost electricity annually and play a significant role in the province's industrial and agricultural production and electric grid operation. The Eshuitan hydropower station situated in Xinxian County has a 60,000 kW generating unit in operation and has produced 1.2 billion kWh of electricity since 1981. Preparatory construction for the power stations at Lubuge and Tianshengqiao Basuo has been basically completed and dams can be built after this year's flood season. The stations will start production 3 to 4 years from now. Preparatory construction started at Yantan last year and it is likely that the station will go into operation 1 to 2 years ahead of schedule.

New methods, such as invitation of bidding for contracts and the investment responsibility system, introduced in the above-mentioned projects under construction have begun to produce marked benefit: they have not only shortened construction duration but have also reduced costs. It is estimated that after the international bidding for the water diversion tunnel of the Lubuge hydropower station and the domestic bidding for the left-bank diversion project of the Yanshuitan hydropower station, 30 to 40 percent of investment will be saved.

In the course of the Hongshui He hydropower development, some foreign investment and advanced technology were for the first time brought in, which made the project the first showcase for China's "open door policy" in the field of large-scale construction projects. A total of \$800 million worth of loans was brought in from the World Bank and the Japanese Government for the Lubuge and Tianshengqiao Basuo projects.

Called a treasure of treasures of the Hongshui He "rich ore," Longtan has 5 million kW worth of installed capacity and is the whole basin's "dragon head." On the other hand, the Dateng Gorge, a strategic geographic location, is a

multi-purpose, comprehensive-utilization project and will have marked comprehensive benefit after being developed. China's Ministry of Water Resources and Electric Power is busy with researching and consultation with the provinces and regions concerned in order to put forward feasibility proposals and start construction as soon as possible, so that the construction of the Hongshui He power supply base can be quickened to promote south China's economic development.

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## INDUSTRY

### FUNDAMENTAL CHANGE IN CHINA'S STEEL-SMELTING TECHNOLOGY

Hong Kong JINGJI DAOBAO [ECONOMIC REPORTER] in Chinese No 38-39, 1 Oct 85 p 30

[Article by Cheng Zhi [2110 1807]: "China's Steelmaking Technology Undergoes Fundamental Changes"]

[Text] Not long ago, the Ministry of Metallurgical Industry convened the Second National Steelmaking Working Conference in Wuhan, Hubei Province. The conference summed up the productive and technological progress achieved in China's steelmaking industry over the past 2 years. Experts at the conference were of the opinion that the technological backwardness of China's steelmaking industry had been essentially changed. The main manifestations are as follows:

#### I. Marked Increase in Main Economic and Technological Indexes of Converter Smelting

As compared to the open-hearth process, the converter process has such advantages as higher production capability, higher productive efficiency, lower capital construction investment and easy conversion to automatic control. Increasing the output of steel produced through the converter process is one of the goals in achieving technological progress in China's steelmaking industry. In 1984, China's annual steel output through the oxygen converter process reached 21.57 million tons, registering a 40 percent increase over the previous year and making up for 49.8 percent of the total national output of that year. The goal put forward at the First National Steelmaking Working Conference to produce more than 20 million tons of steel through the converter process by 1985 was realized 1 year ahead of time.

Raw material consumption in the converter process has also been notably reduced. Raw material consumption was reduced from 1,148 kgs in 1982 to 1,137 kgs in 1984 for every ton of steel produced by the country's key steelmaking enterprises and from 1,191 kgs to 1,177 kgs in local steelmaking enterprises, and the national average raw material consumption decreased to 1,175 kgs. Among them the Capital Steel and Iron Corp and Hagzhou Steel and Iron Corp reduced their per ton steel raw material consumption to 1,099 kgs and 1,097 kgs, respectively, reaching the advanced world level.

Meanwhile, the quality of the country's key steelmaking enterprises' steel ingots through the converter process was raised. In 1984, 99 percent of the



ingots passed quality inspection and in the first quarter of 1985, 99.39 percent of them were up to standard.

Types of steel through the converter process increased. The new types include atomospheric-erosion-resistant steel, medium managanese railway steel, steel for petroleum and natural gas pipelines and Z-shaped steel for offshore drilling platforms, etc.

## II. New Progress Has Been Made in Saving Energy and Increasing Output and Varieties as well as Raising Quality in the Open-Hearth Process

Over the past 2 years, while great efforts were made to vigorously develop the oxygen converter process, China's steelmaking enterprises actively carried out technological transformation of open-hearth furnaces, reducing energy consumption and raising quality. In 1984, China's heavy oil consumption for every ton of steel produced by the open-hearth process decreased by 21 kgs as compared to 1982. As much as 230,000 tons of heavy oil are saved annually due to this improvement alone. During the same period, China's key steelmaking enterprises saw an increase from 25.8 to 31.18 percent for fine-quality steel produced through the open-hearth process, from 63.27 to 71.96 percent for killed steel and from 97.9 to 98.84 percent for steel passing quality inspection.

At present, China's key steelmaking enterprises boast a total of 54 open-hearth furnaces. Last year, top-blown oxygen open-hearth furnaces produced 5,887,600 tons of steel, accounting for 50.6 percent of these enterprises' total steel output through the open-hearth process.

## III. Develop Continuous Casting and Vigorously Improve Casting Molds

Developing continuous casting of steel billets is an important technical means to raise steel quality, and the proportion of continuous casting is also one of the important indicators of the technological level of a country's steelmaking industry. At present, 42 continuous casters with a total production capacity of 11.35 million tons have been put into operation in China. The proportion of continuous casting rose from 7.4 percent in 1982 to 10.6 percent in 1984, and the output of steel billets produced through continuous casting rose from 2.75 million tons to 4.6 million tons over the same period, an increase of 67.2 percent. The SEcond Steel-Smelting Plant under the Wuhan Steel and Iron Complex, one of China's key steelmaking enterprises, has aquired 100 percent continuous casting since the past March, becoming the first plant in the country to achieve complete continuous casting.

While vigorously developing continuous casting, China also gained notable progress in transforming molding technology. At present, the country's key steelmaking enterprises have realized the paplication of heat-insulating plates and sliding tapholes in making killed steel.

## IV. Marked Achievements Have Been Made in Technological Exploitation and Popularization of New Technology

The top-and-bottom-blown converter process is a new technology in steelmaking that was not used anywhere in the world until the end of 1970. It is also a technology that brought marked achievements in China's exploitation of new steelmaking technology over the past 2 years. In 1983, only the Capital Iron and Steel Complex's experimental plant and the New Fushun Steel Plant's 6-ton converter had top-and-bottom-blown smelting, but now as many as 15 converter plants and 22 converters adopted this new technology. Last year, top-and-bottom-blown converters produced 3.27 million tons of steel, accounting for 24 percent of the total steel output by key steelmaking enterprises' oxygen converters.

In addition, 14 powder-spraying units for use in teeming ladles were built and put into operation in open-hearth steelmaking plants and converter plants. Three more are being built.

Another progress is that the technology of argon-blown teeming ladles, which helps raise the quality of smelted steel, has been popularized in key steelmaking enterprises. Last year, 8.11 million tons of smelted steel was processed through the argon-blowing method and 1.62 million tons through the nitrogen-blowing method, which, together totalling 9.73 million tons, was 170 percent of that of 1982, when 5.69 million tons of smelted steel was processed with such methods.

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CSO: 4006/136

INDUSTRY

BAOSHAN STEEL MILL ENTERS SECOND CONSTRUCTION STAGE

Hong Kong MING PAO in Chinese 8 Oct 85 p 6

[Article: "Baoshan Steel Mill Invests 11 Billion Yuan As Second Construction Stage Begins"]

[Text] Following the completion of the first stage of construction and the start of production, the main factory of the Baoshan Steel Mill in Shanghai has entered into the second construction stage. Smooth progress is being made in pile driving for the building of the hot-rolling and cold-rolling mills, key projects in the second stage of construction work.

With the approval of the state, a total investment of 11 billion yuan has been made for Baoshan's second phase of construction. Among the 25 construction projects are a hot-rolling mill, a cold-rolling mill, continuous casting, the No 2 blast furnace, a sintering plant, and a coking plant. The entire construction work will be basically completed by 1990. The mill will be capable of producing annually 6.5 million tons of iron, 6.7 million tons of steel, 4.32 million tons of rolled steel and 1.22 million tons of billet for commercial use.

It has been learned that the hot-rolling mill, one of the 25 construction projects, will import equipment and technologies from the FRG. Upon completion, it will be capable of producing 20.50-mm hot-rolling plates (at present, the maximum width of hot-rolling steel plates produced in China measures 17.00 mm). The continuous casting plant and the cold-rolling plant will be jointly planned and constructed in cooperation with foreigners. Aside from the importation of certain equipment from abroad, the No 2 blast furnace, similar to the No 1 blast furnace in scale, will be designed and constructed primarily by China. The project, which is to begin in 1987, will be completed and put into operation in June 1991. Part of the equipment for the sintering and coking plants will be supplied by the concerned businesses domestically.

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CSO: 4006/141

## INDUSTRY

### HEILONGJIANG COMPACT, SUB-COMPACT AUTO INDUSTRY TRENDS REVIEWED

Harbin HEILONGJIANG RIBAO in Chinese 6 Oct 85 p 1

[Article by Li Dexi [2621 1779 1585]: "Raise Quality, Reduce Prices and Strengthen Competitiveness: A Review of the Development of Heilongjiang's Compact and Sub-Compact Automobile Industry"]

[Text] With the readjustment and reform of our national economy, the eye-catching light and minicar industry of our province in the past 2 years developed rapidly. The state-owned Xingguang Machinery Plant in 1983 produced some 300 two-seat cars when it just started, but in 1984 turned out 3,000, and the output volume keeps rising this year--in the first 8 months the plant produced more cars than last year's total. The state-owned Weijian Machinery Plant turned out some 1,000 sub-compacts last year, but in the first 9 months of 1985, 2,900 came off the assembly line. The state-owned Dongan Machinery Plant, which has a good reputation in China, turned out 3,000 engines for sub-compacts last year, and this year it is expected that it will produce 7,000.

These products are being sold around the country and the enterprises' economic results increased markedly. The Xingguang Machinery Plant, which was in a depressing state a few years ago, saw immediate benefit since it grasped this competitive product according to the market needs, and made a profit of 11 million yuan in 1984. Weijian and Dong'an increased their profits 54 and 150 percent, respectively, in the first 9 months of this year.

The development of compact and sub-compact cars pushed Heilongjiang's automobile industry into a new realm and brought about the rise of automobile parts enterprises in all throughout of the province. According to incomplete statistics, 137 enterprises, big and small, are engaging in this industry. Among these were some enterprises which had been in financial difficulties but which, since they discovered the relatively stable processing industry, have quickly improved their situation; some vigorously created conditions for carrying out technological transformation in order to improve quality of parts, and thus strengthened their abilities to deal with unexpected change. People are delighted to witness the first step Heilongjiang's automobile industry has taken.

Experts are of the opinion that compacts and sub-compacts have good marketing prospects. These models constitute 75 to 80 percent of the total number of cars in England, the United States, France and Japan as well as other countries; but in China, they only account for 21.4 percent. Hence it is clear that the

development of compacts and sub-compacts is still in the ascendant in China. In recent years, some capable enterprises, especially ordnance enterprises, have made good efforts in producing these types of cars. In less than 3 years, compact and sub-compact factories popped up everywhere in 16 provinces, municipalities and autonomous regions. Among them four large and medium-sized cities have formed four large-scale compact car joint venture corporation, and 11 provinces and municipalities started mass producing sub-compacts in succession this year.

The fact that the compact and sub-compact industry started early in Heilongjiang and that output is multiplying can be considered as having followed this trend of development; but what cannot be neglected even the slightest is that competing rivals are rising in swarms, and under this circumstance, both enterprises producing main engines and enterprises producing auxiliary parts are facing fierce competition.

There are two kinds of attitudes concerning the competition. One is that the enterprise pressures itself to aim at advanced standards both at home and abroad, go all out to improve quality and standards and link its survival and development to quality and standards. The other is manifested by such symptoms as unclear understanding of current development trends, lacking quick access to information and being content with things as they are. Wherever there is market competition, the notion of survival of the fittest applies; the fittest survives, and it is only natural that the unfit be eliminated. For the future of the enterprise, the only choice it has is to keep the initiative in its own hands, plunge itself into competition and continue to open up new paths.

The following situation calls for deep thought: in the first 3 months, throughout the country sales of compacts and sub-compacts were constantly rising, but when output sharply rose in different parts of the country, the trend turned around. If development continues in this pattern, before long the market for these cars, which are now in short supply, is bound to change from a seller's to a buyer's market and thus fast selling and slow selling will coexist. Then, only those fine-quality, famous-brand cars will be in short supply.

One imperative at present is for entrepreneurs to take a look at the quality of their products. Will they endure for a long period of time? This is not to sensationalize; some customers are just crying out in alarm like this: neither the final product nor the innate quality of spare parts is completely satisfactory. It is learned that most of the 100-odd parts factories throughout the province so far still have not carried out their production in accordance with standards and each is doing things in its own way. This situation needs to be changed immediately. Departments in charge should unify standards as soon as possible. Enterprises that produce main engines should not be "benevolent" and sacrifice principles for the sake of business connections. Enterprises producing parts should examine their past and value their future. Manufacturing in a rough and slipshod way harms others as well as oneself and in the end will cheat oneself.

Reducing the current sale prices is also a question that concerns whether more customers can be won over in the competition and thus cannot be neglected. Only high-quality, low-price goods can attract customers. High-quality goods with



high prices unavoidably will scare potential customers away. Now there are widespread complaints about the overpricing of compact and sub-compact cars. The problem involves many complex factors, including the objective cause of increasing raw material prices. But what is more important is that immediate attention should be given to the loopholes in production management. Strictly speaking, the managerial standards of some enterprises, especially many parts enterprises, still lag far behind production development in recent years. One outstanding manifestation is that even when improvement was made in production technology, various sorts of consumption and costs never really came down accordingly.

Therefore, the question of pricing, in a sense, is a question of enterprise management. This requires us to consider it as a main direction of attack and make vigorous efforts to solve it.

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INDUSTRY

NATIONAL AUTOMOTIVE PRODUCTION CONFERENCE OPENS

OW211450 Beijing XINHUA in English 1433 GMT 21 Dec 85

[Text] Beijing, December 21 (XINHUA)--By promoting extensive cooperation between automotive enterprises, China will try to greatly increase the output of motor vehicles from this year's figure of 400,000, thus bringing China-made motor vehicles into wider use in the country by 1990.

This was announced by Chen Zutao, general manager of the China Automotive Industry Corporation, at a national working conference on automotive production which opened here today.

He stressed that it is one of the corporation's main strategic policies in the coming 5 years to organize its subordinate automotive enterprises according to their different specialities. In this way, motor vehicle manufacturing and accessories plants will be able to cooperate to carry out specialized mass production, Chen said.

He said that these integrated complexes will be established with big motor vehicle manufacturers as the main bodies to produce advanced vehicles, develop new vehicle varieties and conduct technical reforms.

The general manager called for efforts to break up the barriers between regions and departments, and between military and civilian factories.

China now has some 3,000 motor vehicle manufacturers, refitting plants and parts and accessories plants.

Chen said that in the coming 5 years financial and material resources will be concentrated on the reconstruction and technical reform of the existing big manufacturers and plants.

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CSO: 4020/147

INDUSTRY

PRC JOINT VENTURE TO MANUFACTURE AIRSHIPS

HK190626 Beijing CHINA DAILY in English 19 Dec 85 p 1

[Article by staff reporter Zhang Chuxiong]

[Text] Guangzhou--China is planning to commercially manufacture modern airships through the joint efforts of three technical development companies in Zhejiang, Jiangsu, and Guangdong provinces.

Hong Tunan, general manager of the Guangdong Popular Science and Industrial Development Corporation (GPSIDC) said yesterday his company was linking up with Zhejiang's Hangzhou Airship Comprehensive Development Company (HACDC) and Changzhou Huazhou Technical Development Company, to produce airships based on HACDC's technology. The company has manufactured China's first modern airship, the Hangzhou No 1. Two more dirigibles, one made in Hangzhou and one in Guangzhou, will be built by October next year for commercial sample purposes.

The Hangzhou No 1 airship, with four HS-350 motors and an olive-shaped balloon 16 metres long and 10 metres in diameter, was designed by Zhang Chuhong, now manager of HACDC.

Zhang told a press conference he had privately set up a chemical and physical research institute with the approval of Linnan County, Zhejiang Province, after retiring from the air force in 1979. He invested 1,000 yuan in the institute to produce a tea claimed to help smokers give up the habit, now sold on world markets in large quantities. Having earned over one million yuan through the business, he began to design the airship in March, 1983.

"When the airship was finished in May last year, I made the maiden flight with my son. Then my wife joined us for the next three flights," said Zhang. The trials proved the airship could fly at over 1,500 metres at a speed of 50 kilometres per hour and was able to carry one ton of cargo or 20 passengers. It can fly in force 6 wind.

Zhang said the three-company co-operation would help the development of larger models.

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## INDUSTRY

### RENMIN RIBAO ON INDUSTRIAL STREAMLINING

OW210910 Beijing XINHUA in English 0854 GMT 21 Dec 85

[Text] Beijing, December 21 (XINHUA)--The streamlining of industrial enterprises, which began in 1982, has boosted output and improved economic efficiency, today's PEOPLE'S DAILY reported.

The country's industrial output value rose by 33.6 percent in the first 11 months of this year over the same period in 1982, the newspaper quoted State Economic Commission Vice-Minister Yuan Baohua as saying at a meeting on enterprise streamlining here on Friday.

Total profits made by industrial enterprises together with profits and taxes paid by them to the state increased by 18.5 percent during the period, said Yuan, who is also head of a national office in charge of enterprise streamlining.

He said 96 percent of the 50,000 state-owned enterprises listed in the streamlining program had passed state assessments by the end of last month.

Streamlining was also nearing completion in other state-owned and collective enterprises not covered by the program.

The Communist Party Central Committee and the State Council launched the program in 1982 in a bid to improve productivity in state-owned industrial enterprises.

The program involves the introduction of the initiative-based responsibility system, which links rewards with effort, a shake-up of management to make it more efficient and the tightening of work and financial discipline.

Large numbers of younger, better-educated officials and technical personnel had been promoted to executive posts during the streamlining, Yuan told the meeting.

A survey of 2,900 major enterprises showed that newly-promoted officials accounted for 90 percent of all executives, while 83 percent were under the age of 50 and 74 percent had a college education.

In addition, directors or managers of 26,000 enterprises have assumed overall responsibility for production and operation.

Previously, enterprises were subject to what is known as the "collective leadership" of the Communist Party Committee, and in most cases directors had little say in management.

Yuan said the streamlining program had enabled industrial, transport, construction and commercial businesses to reduce their workforce by 3 million since 1982. These surplus employees had gone into other lines of production.

Meanwhile, at least half of all workers had received specialized technical training.

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## INDUSTRY

### BRIEFS

**MOTOR VEHICLE OUTPUT INCREASES**--Beijing, December 21 (XINHUA)--China will manufacture 1.34 million motor vehicles worth 65.5 billion yuan in the Sixth Five-Year Plan ending this year, a senior industry official said here today. The output of vehicles has risen to more than 400,000 this year from 220,000 in 1980. Over the past 5 years, the annual growth rate of total output value and the number of vehicles produced has averaged 19 and 13.6 percent respectively, said Chen Zutao, general manager of the China Automotive Industry Corporation. Addressing a national motor manufacturers' conference which opened here today, Chen said many new factories had been set up in recent years, and advanced technology had been introduced to the industry. Several Sino-foreign joint ventures had been established. This year, China had developed more than 20 new models and 200 specialized types of vehicles, setting a national record. However, the country was still not producing the quantity, quality or variety of vehicle required during a period of rapid economic growth, said Chen. Facing with fierce competition from abroad, China's automotive industry still needed to make great improvements in performance. [Text] [Beijing XINHUA in English 1117 GMT 21 Dec 85 OW]/12766

**ULTRALIGHT PLANE TEST FLIGHT**--On the morning of 25 September, Nei Monggol's first self-produced ultralight test plane--"Honeybee No 5"--conducted ultralow-altitude (2 meters) and high-altitude (320 meters) test flight demonstrations at Hohhot's Baita Airport. The plane's flight was smooth when climbing and descending, it suffered no damage, and basically achieved its design requirements during the successful flight. Wen Jing [2429 4737] and Jia Cai [6328 2088], leading party and government comrades of Hohhot, observed the test flight and congratulated the personnel that participated in the manufacture, production and test flight of the plane. The "Honeybee No 5" was researched and designed at the Beijing Aeronautical Engineering Institute, and its machining was produced by the Hohhot Oil Pump and Oil Cock Factory. The plane can carry three persons, has a weight of 200 kg, a cruising speed of 70 km per hour, a top speed of 102 km per hour, a ceiling between 2,000 and 4,000 meters, can easily fly over Daqingshan, and has superior performance compared to the "Honeybee No 3." This plane will be widely used in seeding, insect extermination, fire prevention, patrolling, correspondence, communication, tourism, livestock herding and aerial photography. Because it only needs a very short runway, takes up little space, and can take off on any level ground it has great prospects for use in Nei Monggol's vast grasslands. Three planes are planned for production this year, and next year, after all preparations are made, volume production will be started. [Text] [Hohhot NEIMENGGU RIBAO in Chinese 27 Sep 85 p 1] 12704/12379

## CONSTRUCTION

### MANY HOUSEHOLDS GET NEW HOUSES IN ZHEJIANG

Hangzhou ZHEJIANG RIBAO in Chinese 1 Oct 85 p 1

[Article: "During the Sixth 5-Year Plan Period, Zhejiang's Urban Housing Construction Developed Rapidly: In 5 Years More Than 400,000 Households Moved into New Houses"]

[Text] During the period of the Sixth 5-Year Plan, Zhejiang's annual completed housing construction area in cities and towns averaged 4.53 million (not including housing built by farmers living in cities and towns), accounting for 61 percent of the province's total completed housing construction area since the founding of the People's Republic. Calculating on the basis of 50 sq m for every household, approximately over 400,000 households, the equivalent of 28 percent of all households in cities and towns, moved into new houses in 5 years. The new housing's standards and quality also rose notably. Each house, with kitchen, bathroom and balcony, and in some cases even with small square halls, generally houses only one family.

During the period of the Sixth 5-Year Plan, housing construction in Zhejiang's cities and towns made such quick progress because, first of all, the old method of centralized construction and distribution by the state was abandoned, thus kindling the enthusiasm of all quarters. In recent years, state-owned and collectively owned enterprises built a large number of houses either through construction by enterprises themselves, joint construction by enterprises, raising funds to construct in a unified way, constructing by the state with enterprise assistance, and construction by enterprises with private assistance. The proportion of area of new housing built by enterprises with self-raised funds in the province's total area of new housing has risen from one-third 1 or 2 years before the Sixth 5-Year Plan to two-thirds. Meanwhile, policy concerning housing construction by individuals was also changed from "forbidding" to "helping," which resulted in 2.5 million sq m of housing built by individuals in the past 4 years, accounting for 12 percent of the total completed area of new housing during the same period.

12974/12245  
CSO: 4006/187

## CONSTRUCTION

### BRIEFS

CONSULTANTS TO APPROVE CAPITAL CONSTRUCTION--Beijing, December 19 (XINHUA)--Capital construction projects in China will have to go through the China International Engineering Consultancy Company for feasibility studies instead of merely getting the signature of leading cadres who might know little of the technical side. This reform, approved by the State Council, is to ensure the smooth operation and profitability of large projects. The State Planning Commission will decide whether those projects are to be listed in the state plan, following the company's appraisal. Project consulting is a new professional field in China. Founded in 1982, the China International Engineering Consultancy Company has undertaken more than 120 studies of state key projects and enterprise reform for the State Planning Commission and other organizations. [Text] [Beijing XINHUA in English 0853 GMT 19 Dec 85 OW]/12766

HOUSING FOR ELDERLY--Hangzhou, December 20 (XINHUA)--Coastal Zhejiang Province now has 450 homes for the elderly in the countryside, compared with 53 before 1982, according to the provincial authorities. These facilities now support 5,400 old people who have no children. Some orphans also live there. As the life of the rural people has improved, townships have set up homes to provide better living and health care conditions for the old people. The more than 70,000 provincial elderly people without families used to be supported by production teams. Now, the local government, collectives and rural enterprises support the homes for the aged. The province has built 44,000 square meters of housing for the old people. Local governments have also assigned more than 1,000 people to serve them. In addition, the villages have allocated some farmland to the old folks home. Though some attendants are hired to grow vegetables and raise chickens, a number of the elderly enjoy working alongside. The provincial Bureau of Civil Affairs reported that living standards of the old people are higher than the average level in the countryside. Officials at different levels often visit the facilities for old people and help them to solve problems. [Text] [Beijing XINHUA in English 1323 GMT 20 Dec 85 OW]/12766

BEIHAI COASTAL CITY PROJECTS--Beijing, 18 December (XINHUA)--Construction of 24 major projects have begun and will go into operation in the first half of next year in Beihai, Guangxi Autonomous Region. Beihai, located 480 km west of Guangzhou, is one of the 14 coastal cities open to foreign investment and trade. Work is continuing on the Beihai Airport and will be ready to offer flights early next year to Guangzhou, Guilin, Nanning, Haikou, and Zhanjiang.

City infrastructure construction is also underway. A microwave telecommunication system between Nanning and Beihai is under construction and will be operational in June of next year. Six highways are nearing completion. A number of hotels, restaurants, department stores, offices and residential buildings have been erected. A four-star-hotel, the Fuluhua Hotel, and an overseas Chinese hotel have opened for business. A project to build two berths for 10,000-ton-ships at the new harbor is 40 percent completed and will be ready next October with an annual handling capacity of 5.6 million tons. [Text] [Beijing XINHUA in English 1231 GMT 18 Dec 85 OW]/12766

DEEP-WATER BERTHS TO BE COMMISSIONED--Beijing, December 23 (XINHUA)--Construction of over 20 deep-water berths capable of accommodating 10,000 dwt ships will be completed before the end of this year, the Ministry of Communications announced here today. More than 30 such berths have already been commissioned this year, the ministry added. During the Sixth Five-Year Plan period (1981-1985), construction started on a total of 132 deep-water berths. The major coastal ports are not capable of handling 300 million tons of cargo a year, 100 million tons greater than that in 1980, the ministry said, adding that in the past 5 years, the volume of freight those ports handled increased by 6.7 percent annually. According to statistics provided by the ministry, this year, China's inland waterways handled a total of 470 million tons, 20 percent more than in 1980. The Yangtze River alone, China's longest, is expected to transport more than 110 million tons this year. China has now altogether 62 ocean-going shipping companies totalling 3 million dwt, ranking the ninth in the world. [Text] [Beijing XINHUA in English 0851 GMT 23 Dec 85 OW]/12766

CSO: 4020/147

DOMESTIC TRADE

BUSINESS INFORMATION EXCHANGE LAUNCHED

OW251013 Beijing XINHUA in English 0804 GMT 25 Dec 85

[Text] Guangzhou, December 25 (XINHUA)--Business executives, especially those from the countryside, can now seek advice on market affairs at a newly-launched information exchange in this capital of Guangdong Province.

The exchange, set up last week jointly by the Guangdong Provincial Nanfang Market Information Center and Commercial Economy Society, provides clients with information about market conditions and new products, as well as import and export opportunities.

An official of the exchange said it would also arrange exhibitions of goods, and could act as a notary in business transactions.

The exchange, the first in Guangzhou, is authorized to issue letters of credit on behalf of banks, and approve shipments of goods out of the province.

It has been launched to help promote commodity production on the Pearl River Delta, one of China's most prosperous areas.

Peasants living in the area, which borders Hong Kong and Macao, are being encouraged to develop a market- and export-oriented economy.

Electronic facilities are available at the exchange to input or retrieve business information.

And the official added that it offered a "rural tea-house atmosphere," where clients could discuss business affairs over drinks or tea.

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CSO: 4020/148



## DOMESTIC TRADE

### NORTHEAST EXPANDS ECONOMIC COOPERATION

OW060800 Beijing XINHUA in English 0707 GMT 6 Dec 85

[Text] Shenyang, December 6 (XINHUA)--Economic cooperation among the provinces of northeast China has expanded from barter trade to development of natural resources and technology, and from technical exchange to integrating production with research, according to a local official.

At a meeting on economic cooperation which opened here earlier this week, Shen Yue, director of the northeast economic regional planning office under the State Council, said that long-term and stable ties between enterprises and cities have replaced the temporary, scattered and sporadic cooperative projects of a few years ago.

The northeast economic region includes Liaoning, Jilin and Heilongjiang provinces and the eastern part of the inner Mongolia autonomous region. The economic activities in this region are interdependent geographically and historically.

Firms and local governments in this region have also signed agreements on 4,397 projects with 24 provinces and municipalities in other parts of China, involving a total investment of two billion yuan. The projects will add an annual output value of three billion yuan.

Shen Yue said the current economic reform and economic cooperation have expanded the production capacity of quality products.

An electric power equipment group, including the Harbin Electric Power Equipment Company, Liaoning Electricity Transmission and Transformer Equipment Company, the Northeast Electric Power Designing Institute and 25 enterprises, has formed a complete system from research into and production of power facilities to construction and installation of power stations. The system will have an additional annual production capacity of one million kw after fulfillment of state quotas during the 1986-1990 period.

The electric ceramics group, including plants in Fushun, Changchun, Tonghua and Shuangyashan, has retooled the existing enterprises since its founding in July last year. The group will increase its annual production capacity to 2,000 tons by the end of this year. In 2 or 3 years, the total production capacity will rise to 5,000 tons a year.

Liaoning Province has 108 economic groups, involving 705 enterprises.

In Shenyang, capital of Liaoning, 163 enterprises have ties with 21 provinces and municipalities. They have formed 23 groups to produce trucks, buses, small tractors, diesel engines, deep-well pumps and other products.

Jilin Province has saved 60 enterprises from bankruptcy through such cooperation.

In addition to grouping of enterprises, cities have strengthened ties among themselves, according to Shen Yue.

There are three such economic and technical cooperative groups: Shenyang and the five surrounding cities, Dalian and five coastal cities and four cities with Jinzhou as their center.

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CSO: 4020/148

DOMESTIC TRADE

INCREASED GOODS CIRCULATION BOOSTS RETAIL SALES

OW181000 Beijing XINHUA in English 0837 GMT 18 Dec 85

[Text] Beijing, December 18 (XINHUA)--China will achieve a 27 percent increase in retail sales this year over last, thanks partly to the breaking-down of regional barriers to stimulate commodity circulation.

The country's volume of retail sales was 335.7 billion yuan last year, an official of the Commerce Ministry said here.

Since 1983, more than 1,000 trading centers have been set up in major cities to buy and sell products in excess of the state quota, he said. Wholesale transactions reached nearly 7.4 billion yuan in 40 centers alone during the first 9 months of this year, the official said.

Rural residents now have easier access to manufactured goods than before, as the goods are flowing in through diverse channels--state-run stores, collective shops, rural supply and marketing cooperatives and individual businesses. They can order goods from anywhere they prefer, the official said.

Department stores in major rural towns sell thousands of products, much the same as stores in cities.

In addition, large numbers of peasants have switched from farming to business, as a result of increased productivity following the introduction of the initiative-based responsibility system.

They are also helping spur the influx of manufactured goods into rural areas and farm products into urban areas, the official said.

China now has 1,000 farm-product wholesale markets, where rural peddlers sell fresh vegetables, eggs, poultry, meat and special local products. Urban stores and government office canteens also buy non-staple food from them, the official said.

Special local products from south China are now available at such markets in the northeastern cities of Harbin and Shenyang. Meanwhile, melons and other farm products from north China are on sale in the southern cities of Guangzhou and Wuhan.

In addition, urban residents in some cities buy half of their vegetables and meat from free markets.

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CSO: 4020/148

## FOREIGN TRADE AND INVESTMENT

### CREATION OF OPEN FOREIGN EXCHANGE CONTROL SYSTEM

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 9, 5 Sep 85 pp 18-20

[Article by Shen Hong [3088 3163], Fang Xiaming [2455 6343 2494] and Lu Zengrong [4151 1073 2837]: "Creation of an Open System of Foreign Exchange Management"]

[Text] In a certain sense, the success or failure of the open door policy hinges on the amount of foreign exchange earnings. How do we go about heightening the enthusiasm of the various departments at various levels in general and the enterprises in particular to earn larger amounts of foreign exchange? This is a problem that must be explored if we are to exercise effective management of foreign exchange. Fujian and Guangdong are provinces that have adopted "special policies and flexible measures" at the same time. Although both provinces have boldly engaged in such economic activities as exploring ways to expand foreign trade, the utilization of foreign capital, the importation of advanced technologies, and control over the use of foreign exchange during the past 6 years, Guangdong is far ahead of Fujian in motivating enterprise enthusiasm for earning foreign exchange. During 1984, Guangdong's total foreign exchange income was \$2.8 billion. Between 1980 and 1982, the foreign exchange income from foreign trade increased by 100 percent. The growth rate for foreign exchange earnings from the processing and installation of imported materials and compensation trade was even higher, increasing from \$12.98 million in 1979 to \$260 million in 1984, a 19-fold increase. As for Fujian, the total foreign exchange income in 1984 came to \$559 million, showing a 1.06-fold increase compared to 1978. Out of that amount, the foreign exchange income from foreign trade was \$361 million in 1984, a 1.09-fold increase compared to 1978, while foreign exchange earnings from the processing and installation of imported materials and compensation trade came to \$8.21 million. Thus there exists a vast gap in foreign exchange earnings between Guangdong and Fujian.

One valuable experience gained by Guangdong in increasing its foreign exchange earnings is the efficacy of the open type system of foreign exchange management. In the management of foreign exchange earnings from its exports, Guangdong has reformed the system of allowing foreign trade departments to exercise unified control over export operations, directed its efforts toward the development of a combination of industrial, technical and agricultural trade operations, permitted certain enterprises to establish



direct contact with traders, kept abreast of changes in demand on the international market, and established a link between production and operations, expansion and development, and the earning and utilization of foreign exchange. At the moment, more than 60 enterprises in the province (over 10 of which are factories) have been granted autonomy in foreign trade operations, are free to sign contracts with foreigners and are responsible for their losses, while the division of profits remains unchanged. Fujian, on the other hand, has engaged in discussions without making decisions, has made decisions without follow-up action, and has yet to implement an open system of foreign exchange management with regard to the varieties of merchandise for export in Guangdong, aside from the 20-odd varieties approved by the central and provincial governments, all the other varieties of export merchandise are approved by the localities and cities. In Fujian, however, aside from the 36 varieties of export merchandise subject to the control of the central and provincial governments, the overwhelming majority must be submitted to the provincial government for approval, so that the prefectures and cities have little autonomy to speak of. In support of the export trade to earn foreign exchange in the prefectures and counties in the mountainous areas this year, Guangdong has, by permitting the entire amount of foreign exchange earnings in the 47 mountainous region counties that are permitted by the central government to be retained by the province to be retained by the localities, greatly motivated the enthusiasm of the inland mountainous regions to earn foreign exchange by engaging in the export trade.

In regard to control over the use of foreign exchange, Guangdong has in recent years also reformed the old centralized method for granting approval by the provincial government and adopted the method of the all-round sharing of proceeds, of establishing a link between the earning and the use of foreign exchange, and the submission of specific ways of using foreign exchange for approval by the higher authorities according to stipulations, so that the various departments may have a certain latitude in the use and distribution of foreign exchange. Foreign exchange earmarked for specific use in a unified manner by the provincial planning commission constitutes some 42 percent of the total amount of foreign currency used by the province, while a larger part is retained and utilized at the discretion of the various departments and enterprises at various levels. The foreign currency to be used according to the unified plan of the provincial planning commission is also distributed in a unified and equitable manner to the concerned departments by the planning commission at the beginning of the year so that it may be used by the various departments at their discretion and according to the stipulations of the plan. As for the sharing of foreign currency receipts exceeding the amount set by the plan, the principle adopted by the province is that, after part of it has been turned over to the central government, the province is to retain a larger share if it is responsible for losses incurred in the export trade, and a smaller share otherwise. The specific ratio of sharing is for the province to retain 75 percent, the prefectures 5 percent, and the counties and enterprises 10 percent each, of the foreign currency income derived from foreign trade; the province is to retain 60 percent, the prefectures 10 percent, and the counties and enterprises each 15 percent of the foreign currency income derived from the processing and installation of imported materials; the province is to retain 50 percent of

foreign currency income not derived from foreign trade. By stressing the importance of establishing an organic link between the earning and utilization of foreign currency, the province has succeeded in motivating the enthusiasm of the prefectures, counties and enterprises to earn foreign exchange with the result that the total amount of foreign exchange income has increased considerably. The foreign currency retained by the province, instead of being reduced, has increased to a considerable extent. The foreign currency presently retained by the province amounts to between \$1.1 billion and \$1.2 billion annually, or over 40 percent of the total amount of foreign currency income. Emphasis on the use of foreign exchange is placed by the provincial planning commission mainly on the importation of technologies, equipment, raw materials in short supply domestically, and certain consumer products, amounting to over 90 percent of the foreign currency used by the province. In addition, a certain part is set aside for the development of scientific, educational, cultural and public health projects and for providing assistance to the aged and the young in the remote areas so that a powerful impetus is given to the overall development of the economy of the province. On the basis of our experience in Guangdong, we are of the opinion that our methods for the control of foreign currency and for providing ideological guidance must be completely oriented toward stimulating the enthusiasm of the parties concerned to earn foreign exchange, especially on the part of the enterprises. We must establish the "giving way first and collecting later" point of view.

First, we must utilize foreign currency to earn foreign currency. The amount of foreign currency used must be contingent upon the amount of foreign currency earned. Unless our province increases its exports and foreign exchange earnings as soon as possible, it would be idle to talk about making use of foreign currency for importing technologies on a large scale. For this reason, except for giving approval for the use of foreign currency needed by nonprofit departments engaged in scientific, educational, cultural and public health projects, the foreign currency required by production departments and enterprises must be paid back on time or at the prevailing rate of foreign exchange. The foreign currency urgently needed by certain key domestic construction projects may be paid back in renminbi (but settled at the average foreign currency exchange rate). "Foreign currency loans" should be extended to meet the needs of processing and other production enterprises and be paid at different rates of interest and within a fixed period of time in order to promote regularity between the use and the earning of foreign exchange. The state should no longer be responsible for the foreign exchange balance of such enterprises. In its "Tentative Plan for the Reform of the Economic System in the Near Future," Fujian has already come forward with the proposal that certain enterprises should be selected to establish direct contact with foreign countries on a trial basis. This measure, serving as it does to encourage the enterprises to earn foreign exchange, should be adopted as soon as possible.

Second, the power to use foreign exchange should be granted those enterprises which earn foreign exchange to encourage them to earn more foreign exchange. Guangdong's experience has proved that an increase in the ratio of retained profits on the foreign exchange earnings of the enterprises in

the cities and counties enables them to make use of the retained foreign exchange to take advantage of changes in the international market so as to import technologies at the proper time, to replace their products and to make use of their limited foreign exchange funds to create new and better ways to earn foreign exchange. At the moment, Fujian is in the grips of a situation marked by "the absence of the need for foreign exchange by enterprises earning foreign exchange and the need for foreign exchange by enterprises earning no foreign exchange" and "the ratio of foreign exchange retained by enterprises earning foreign exchange is so small that they cannot 'cash in' on the foreign exchange they have 'retained.'" Such a situation has dampened the enthusiasm of the enterprises to earn foreign exchange from their export operations. On a short-term basis, a larger amount of foreign exchange may be concentrated in the hands of the state and the higher authorities concerned. From the long-term point of view, however, such a situation does not encourage the enterprises to earn larger amounts of foreign exchange. On the contrary, it both adversely affects the overall increase in foreign exchange earnings and exacerbates the imbalance in foreign exchange income and expenditure. It is our opinion that the enterprises earning foreign exchange should be permitted a larger share of "retained profits" and that they should be authorized to use the retained foreign exchange as they see fit under the guidance (the planning departments and the departments concerned may set the direction in which the foreign exchange retained is to be used by the enterprises) and supervision of the national plan. At the same time, the enterprises should be encouraged to sell their shares so that the foreign exchange retained by the enterprises may be put to use by the trades and businesses and state sectors which are in urgent need of development, and that it may be put to use horizontally or vertically. In this manner, it will be possible to avoid to a certain extent decentralization in the use of foreign currency resulting from the "retention of foreign exchange at different levels" and "the granting of autonomous powers in the use of foreign exchange" which are prejudicial to the centralization and redistribution of foreign exchange and to make it possible for small amounts of centralized foreign exchange to be properly redistributed and centralized.

Third, it is necessary to adjust the economic results between enterprises earning foreign exchange and those using foreign exchange. For various reasons, a situation has emerged in which the economic returns accruing to enterprises earning foreign exchange are often smaller than those using foreign exchange. That, in effect, is a reflection of the transfer of economic results. This situation must be reversed before the basic reform of the exchange rate. An economic lever must be used to reform the system whereby foreign exchange is made available to the enterprises having need of foreign exchange at the market rate. It is only when the enterprises in need of foreign exchange are made to obtain it at a rate no lower or slightly higher than the average exchange rate in the province that most of the losses suffered by the enterprises earning foreign exchange can be absorbed by enterprises using foreign exchange, and that the demands of the law of values can be met. When being used in an exigency, the foreign currency owned by the enterprises should not be quoted lower, but slightly higher, than the actual exchange rate so that the legitimate economic benefits of the enterprises earning foreign exchange may be protected.

Fourth, the enterprises should be permitted to compete by putting part of their commodities on the international market. By this is meant, first of all, that the enterprises earning foreign exchange should be given autonomous powers to sell that part of their products over and above the planned export quota (except for products having an allocated quota) according to their grade and class and at a progressive rate of profit retention. Second, within a period of 3 to 5 years, the entire amount of profits should be retained by the enterprises earning foreign exchange which turn out new products outside of the plan to be exported on a trial basis and new export products which they have developed on their own, so that the enterprises in various localities may be encouraged to expand the export of new varieties and to open up new export channels. In this manner, a portion of the retained profits may be used to import technologies, to develop new products and to increase the capacity for earning foreign exchange, thus helping to reduce the province's financial burden. As regards the ratio of retention, the entire amount of foreign exchange, the proportion of foreign exchange used by the entire province in a centralized manner is likely to be reduced while the amount of foreign exchange which can be put to use will continue to increase in the long run. Thus, the future promises well for the invigoration of the overall provincial economy and the improvement of the enterprises' standard of operations as well as their competitiveness.

Fifth, we must have the resourcefulness and courage to assume responsibility for debts incurred in our effort to achieve a foreign exchange balance in the localities. The economy of the entire province should be converted from the inward type to the outward type and efforts must be made to increase the ratio between the value of export commodities and that of the total amount of commodities in the entire province within the shortest period of time. To achieve this objective and a favorable balance in our foreign currency funds, we must adopt a policy of "using imports to promote exports" in the near future. The province should give autonomous power and policy guidance to the cities, prefectures, counties and enterprises and give full rein to the open areas, the open cities, the developed areas and special areas in their effort to gain entry into the international market, to make use of foreign capital to import advanced technologies in order to earn more foreign exchange, and to proceed from "the incurrence and repayment of debts to the extension of loans." That is the common path traversed by the various countries and regions in the outward development of their economies. Fujian, which is close to Hong Kong and Taiwan, has abundant resources from the mountains and the sea. So long as they can develop their external and internal advantages in a vigorous manner, the open regions at various levels can be counted on to progress from reducing the imbalance in foreign exchange funds to achieving a favorable balance at an accelerated pace.

Sixth, macroeconomic control over foreign exchange funds must be strengthened. To increase the volume of exports and to exercise effective control over the use of foreign exchange are two important ways to achieve this end. The gross industrial and agricultural production value of the Xiamen Special Economic Zone, the open city of Fuzhou, and the Xiamen-Zhangzhou-Quanzhou triangle exceeds half that of the entire province. This area is the vanguard of the entire province and the base for the expansion of export trade. In



order to increase the capability of this area to earn foreign exchange, it is imperative to increase the power to engage in foreign trade, to accelerate readjustment of linkages among the industries and to increase the volume of exports by all possible means. At the same time, the strategy for the development of the province and the Seventh 5-Year Plan must also be made to reflect the special features of the "external type" of foreign exchange management. The expansion of exports must be given priority. Encouragement and support must be given to exports in order to earn and to make good use of foreign exchange. In the selection of import items, attention should not be directed only toward domestic market needs and the increase in renminbi income. While technologies are being exchanged for export products, our objective should be placed up on improving our technical standards, operational efficiency, and ability to fight our way into the international market. Only then can our enterprises continue to improve their operational standards and increase their ability to earn foreign exchange and compete in international markets.

In short, the lesson we have learned from Guangdong's experience is the dialectical unity of the amount of retention of foreign exchange and the amount of foreign exchange earnings. We must abandon the beaten path of "enlarging the amount of retention and reducing the amount of foreign exchange earnings" and embark up on the new road of "increasing the amount of retention and the amount of foreign exchange earnings." That is the effective way to strengthen macroeconomic control and to invigorate enterprise operations in the implementation of the open door policy.

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FOREIGN TRADE AND INVESTMENT

3D 'MARINTEC CHINA' EXHIBITION ATTRACTS MANY FOREIGNERS

HK050851 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS SUPPLEMENT) in English 5 Dec 85 p 3

[By Diane Sotrmont in Shanghai]

[Text] With development of the Chinese maritime sector high on the priority list of china's Seventh Five-Year Plan (1986-1990), more than 250 foreign shipping-related manufacturers have flocked to Shanghai to display their wares.

Companies from as far afield as Scandinavia, Britain and Continental Europe, as well as neighbouring Japan and Hong Kong, are pushing their goods at the third Marintec China Exhibition, which opened in Shanghai yesterday.

China's stated aim of improving foreign trade during the coming 5 years means expensive plans to upgrade its ports, shipbuilding, cargo-handling and offshore technology sectors to facilitate increased trade movements.

China has announced its intention to build 33 deep water berths and complete three 200,000-ton class crude oil berths alone in the first year of the 5-year plan.

After spending U.S.\$857 million on port development last year, Beijing has allocated U.S.\$9 billion to develop eight more by 1990.

Much of this \$9 billion has been earmarked for foreign equipment purchases.

Few exhibitors, however, expect to sign any orders during the 5-day show.

"We are really only flying the flag," Mr Michael Napier, sales manager of UK-based Simon-Carves Ltd said.

"Most of the actual negotiating will go on after the show." But foreign companies are paying dearly to wave the flag.

The profit-oriented Chinese hosts have doubled the room rates at the designated Shanghai Hotel for the duration of the event.

Delegates have had to stump up U.S.\$68 per night for single occupancy at what is a distinctly fourth-rate hotel.

Display booth rentals at \$450 per sq m--minimum space 15 sq m--is more than double the equivalent in Hong Kong.

However, the pain is offset slightly by subsidies provided by over governments which took pavilions to promote their national exports, underwriting part of the cost.

However, one exhibitor, who wished to remain anonymous, said this third bi-annual Marintec China Exhibition could be the last.

The event, which is organised by Cahners Exposition Group Ltd in conjunction with the Shanghai Society of Naval Architecture and Marine Engineering, the Marintech Press Group and Lloyd's of London, could be upstaged by a rival exhibition organised, it is hinted, by the China Ocean Shipping Co Ltd (COSCO).

"COSCO is our major consumer in China," the exhibitor said.

"Wu would feel obliged to exhibit with them, and we can't afford more than one exhibition in China."

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CSO: 4020/148

FOREIGN TRADE AND INVESTMENT

DYNAMIC ATTITUDE NEEDED TO GAIN LARGER JAPANESE MARKET

Beijing GUOJI SHANGBAO in Chinese 26 Sep 85 p 2

[Article by Meng Jixin [1322 4764 2450]]

[Text] At the moment, the outstanding problem in Chinese-Japanese trade is the imbalance of its development, and the key to redressing this imbalance is the expansion of our exports to Japan.

It is the opinion of the writer that, aside from upgrading the quality of our export products to meet the needs of the Japanese market and expanding the volume of our exports, it is extremely important that our foreign trade enterprises establish a correct idea of how to conduct their operations and to improve their attitude in promoting the sale of their products.

In recent years, the writer has been told repeatedly by Japanese friends that our import and export companies "are lacking in enthusiasm in promoting the sale of their products" and that, instead of exhausting all their means to satisfy the needs of Japanese should show appreciation for the favor done to them by enterprises which sell them the goods. This attitude is obviously inimical to the expansion of trade with Japan.

The history of Chinese-Japanese trade, especially during the 1960's, indicates that most of our customers are medium and small-sized commercial enterprises that are friendly to us. In view of the limited varieties and the small volume of our export commodities during those years, we did make a special effort to make certain commodities available to our customers, especially those in short supply, as a favor. During trade fairs, those who succeeded in concluding transactions were quick to show their appreciation, while those who failed persisted in their efforts. As time went on, some of our foreign trade companies came to regard their foreign trade operations as acts of "favor" to their customers.

Over 10 years have now passed. The seller's market has given way to a buyer's market. The attitude and the habit of regarding trade as a "favor" must not be allowed to continue. Although the supply and demand situation and the amount of sales are subject to constant change, the "customer first" concept in business operations remains unalterable. Our import and export companies must make an earnest effort to heighten their zeal, to adopt a "dynamic attitude" in promoting the sale of their products, and to establish as soon as possible

"serious relationships" in their business dealings. That is the way not only to expand the volume of exports to Japan but also to develop export trade with various countries in the world.

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CS0: 4006/158

FOREIGN TRADE AND INVESTMENT

MORE FUJIAN CONTRACTS WITH FOREIGN INVESTORS

OW261440 Beijing XINHUA in English 1433 GMT 26 Dec 85

[Text] Fuzhou, December 26 (XINHUA)--Authorities in Fujian Province have signed a record 300 contracts with foreign investors this year, Vice-Governor Chen Binfan said here today.

The province has now signed 800 such contracts over the past 6 years.

Chen said Fujian had imported more than 700 items of foreign technology and equipment this year to renovate existing enterprises. Of these, 280 had already gone into operation.

The value of exports produced this year had risen by 16.8 percent compared with 1984 to 359,500,000 U.S. dollars.

Chen said: "Despite a reduction in the state foreign currency supply, Fujian's foreign trade value had been 3.2 percent more than the state annual quota by November 10."

He attributed this success to the opening to foreign investment of 11 cities and counties in southern Fujian last spring.

Chen said the province had invested two billion yuan in building and renovating two airports, two harbors, two program-controlled telephone switchboards, two thermal power plants and two railways in Fuzhou and Xiamen, and in improving public utilities.

At an investment promotion meeting last month, 10 contracts and 50 agreements and letters of intent were signed in 5 days with business chiefs from Hungary, Japan, Poland, South East Asia, the United States, and Hong Kong and Macao.

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CSO: 4020/150



FOREIGN TRADE AND INVESTMENT

INCREASED FOREIGN INVESTMENT IN FUJIAN REPORTED

Beijing GUOJI SHANGBAO in Chinese 17 Oct 85 p 2

[Article by Zhou Junxiang [0719 0193 4382] and Weng Xinhui [5040 2450 6540]:  
"Improved Investment Environment in Fujian, Increased Investment from Foreign Traders"]

[Text] Fujian Province has made a fine start in importing foreign funds this year. By the end of August, it had signed 327 new contracts involving more than \$248 million from foreign sources, an increase of 146 percent over the same period last year. The foreign funds actually used amounted to \$44.94 million, an increase of 167 percent over the same period last year.

Fujian's utilization of foreign funds had the following three characteristics:

--Overseas Chinese investment amounted to 90 percent of the total foreign investment. Fujian has adopted a preferential policy toward overseas Chinese in different ways to arouse the interest of overseas Chinese investors. Many of the overseas Chinese entrepreneurs have returned to their native land for trade negotiations and are happy to invest heavily.

--The ratio of investment in productive projects has increased. Of the projects for which the use of foreign funds has been newly approved, more than 80 percent went into metallurgy, mechanical and electrical appliances, chemical industry, building materials and textile trades. There were 14 projects with an investment of more than \$5 million each, including 6 of more than \$10 million each. The largest ones were the Xiamen Polyester Co, Ltd, with investments of \$33 million and \$60 million respectively.

--The orientation of investment was compatible with Fujian's policy of stressing resource development, economic results and foreign exchange earnings in the use of foreign funds. There were 11 development projects for its mountain and maritime resources in the forms of joint ventures and cooperative enterprises. In September this year, it signed four agreements with Lai-sen-ke [phonetic] Co of France and three of them were for the exploitation of granite and marble resources. Most of these products, after development, will be exported.

Fujian has good potential for the attraction of foreign funds. In the past several years, it has remarkably improved the investment environment in

transportation, energy and posts and telecommunications. The economic and foreign trade departments at various levels have also carried out their reform to provide stronger proofs of economic benefits for investors, and studied the technical and economic feasibility of the chosen projects very carefully. All these measures have helped enhance the sense of security among the foreign and overseas Chinese investors in Fujian. According to a report, Fujian will hold a meeting in Xiamen in late November to encourage investment, and some 300 financiers and entrepreneurs from more than 30 countries and regions including the United States, Japan, France and the FRG have signified their intention of attending this meeting.

9411/13045

CSO: 4006/318

## FOREIGN TRADE AND INVESTMENT

### CHEMICAL INDUSTRY FOREIGN TRADE VOLUME SOARS

OW211448 Beijing XINHUA in English 1437 GMT 21 Dec 85

[Text] Beijing, December 21 (XINHUA)--The total volume of imports and exports of China's chemical industry in the Sixth 5-Year Plan period (1981-1985) is estimated to total 19.9 billion U.S. dollars.

This was disclosed by Lin Yincai, vice-minister of the chemical industry, at a national meeting which opened here today.

He said that the import of advanced technology has been one of the top priorities.

He pointed out that his ministry had imported 466 items of advanced foreign technology over the past 5 years; among the 63 items imported over the past year, 44 were used for the upgrading of domestic enterprises.

"These projects are of great significance for promoting the technological level of our chemical industry and promoting their profitability," the vice-minister said.

He said that the stress has been changed from buying only complete equipment in the 1970's to the present form of importing know-how. Trade connections have also been expanded from around six countries 10 years ago to over 30 countries and regions, he added.

He said that during the Sixth 5-Year Plan period, his ministry had helped a number of other developing countries build chemical plants. For instance, a pharmaceuticals factory set up in Mali with Chinese help is the biggest in West Africa.

However, exports must be increased in order to import more. To this end, Lin said, several plants are to be converted to being special manufacturers of exports, and some large enterprises are targeted to set up export-oriented divisions.

He emphasized that products for export should be produced according to international standards so as to be more competitive in the world market.

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CSO: 4020/150

## FOREIGN TRADE AND INVESTMENT

### IMPROVED QUARANTINE FACILITATES FOREIGN TRADE

OW261144 Beijing XINHUA in English 1057 GMT 26 Dec 85

[Text] Fuzhou, December 26 (XINHUA)--Improved quarantine services have facilitated China's foreign trade while ensuring the quality of goods, said Jia Dong, deputy director of the China Administration of Animal and Plant Quarantine.

China has 69 quarantine offices at border regions and outlets of foreign trade, he said at a national quarantine meeting which closed here today.

It now sells animals, plants, and farm produce to 140 countries while importing fine strains and breeds, he said.

His administration called for improved services at the beginning of this year.

Jia commended the Shenzhen quarantine office, which offers services at Hong Kong and 160 exporters in Shenzhen.

The office used to wait for importers and exporters to have their goods quarantined, he added.

The Ministry of Agriculture, Animal Husbandry and Fisheries has sent quarantine experts to Britain, Canada, Denmark, Federal Germany, New Zealand, and the United States.

Cooperating with local veterinaries, they have prevented sick animals from entering China.

There were no sick sheep among the 100 imported from Britain this year as the quarantine workers had eliminated them.

In contrast, 89 of 402 head of sheep imported from the same country were found suffering from Jochen's disease when quarantined in Beijing in 1982.

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CSO: 4020/150

## FOREIGN TRADE AND INVESTMENT

### FOCUS ON PATENTS AND PROPRIETARY TECHNOLOGY IMPORTS URGED

Beijing RENMIN RIBAO in Chinese 31 Oct 85 p 5

[Article by Wang Zhaoxiong [3769 0340 3574]: "Focus on Importing Patents and Proprietary Technologies"]

[Text] As science and technology unceasingly advance, technology trade between all countries of the world is continually expanding; the international technology trade volume now amounts to several tens of billions of U.S. dollars a year. Licensing of patents and proprietary processes between the industrially developed countries has always accounted for an important proportion of this business. In technology import, China has always overstressed complete sets of equipment and production lines, and there have been problems of unnecessary duplication of imports and overimportation. In addition, the provisions of some licensing agreements are not sufficiently thorough, the prices are not reasonable, and in some cases losses or swindles have occurred. The CPC Central Committee Resolution on Reform of the Science and Technology System clearly states that in the future China must accord the importation of technology an important place when developing production technologies and renovating existing enterprises and must focus on the importation of patents, technological secrets and software.

We offer the following suggestions for effective importation of patented technologies and proprietary technologies.

#### 1. Effective Dissemination of Information on Industrial Ownership Rights

"Industrial ownership rights" are the rights of ownership of technological inventions used in industry and of production markings, e.g. patents, trade marks, and the like. China has formally joined the Paris Convention on Protecting Industrial Rights of Ownership, and accordingly in technology importation we must observe our international duty to protect them. Personnel on the science-technology and economics and trade fronts must have thorough information on industrial ownership rights; they must be clearly aware of what constitutes industrial ownership rights and knowledge, ownership rights, what should be protected and how, and what should not and need not be protected, as well as understanding the objectives of this protection.



## 2. Effective Cooperation in Relevant Areas and Intensified Overall Management

In the future, technology import must truly involve importation of the best for our use. It is very difficult to select technologies for import. For example, in order to make correct decisions about the signing of patent licensing agreements, a literature search must be made to obtain technical and economic information about similar patents held by different companies (or firms), the firms' backgrounds must be investigated, technologies must be analyzed to see whether the products are in accordance with the patents specifications, and so on. We must organize organic cooperation between the foreign economics, patents, scientific and technical management, information, and research and development departments, make feasibility analyses of the up-to-dateness, suitability, reliability, effectiveness, economic rationality, and investment feasibility of the selected items before beginning commercial talks, and overcome blind decision making in order to choose the correct policy and import technologies that are reasonably priced, technically advanced, in keeping with the national situation, easy to assimilate, and capable of promoting domestic self-sufficient research and development.

## 3. Place Technology Import on a Scientific and Legal Basis

Licensing trade is still a relatively new activity in China, and there is a great need to emphasize licensing agreements that are more scientific, particularly the effective drafting of important clauses that differ from those in commodity trade, such as guarantees, authorizations, technology protection, secrecy, transfer of risk, damage claims, and clauses involving third party infringement, and effectively written technical content. Patent law affects only advanced technology for which a copyright application has been made in China; imported proprietary technologies are now protected chiefly by contract. In licensing trade we must establish and maintain effective legal, management, consulting services, and information systems. The relevant departments must strengthen their overall guidance of licensing agreements and organize economic exchange in timely fashion.

## 4. Establish and Maintain an Effectiving Licensing Business Contingent That Has a Knowledge of Both Our Own Circumstances and Those of the Other Party and is Rational and Principled in Discussions and Enterprising in Its Work.

In the technology import process there are many problems of current importance that require study, such as shares in technology in Chinese-foreign joint capital enterprises, and invention and creativity ownership rights in Chinese-foreign cooperative development and cooperative research. In addition, in the licensing trade there are also such problems as technology export and the like which must be investigated.

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CSO: 4008/2025

FOREIGN TRADE AND INVESTMENT

LIAONING IMPORTS OF TECHNOLOGY, EQUIPMENT DURING 6TH FYP

SK160735 Shenyang Liaoning Provincial Service in Mandarin 1030 GMT 15 Dec 85

[Text] During the Sixth 5-Year Plan period, our province has taken active but prudent steps in importing advanced foreign technology and equipment to promote the development of technological transformation and production in industrial enterprises. In the past 5 years, contracts involving a sum of \$900 million were signed, showing an average annual increase of 89.2 percent. In the past 4 years the light industrial units imported the greatest number of technological items and equipment, and the next to follow were the machinery and textile industries. Last year the imported technology and equipment helped more than 500 enterprises carry out technical transformation and helped bring 1.41 billion yuan of output value, and 570 million yuan of profits and taxes, and create \$290 million of foreign exchange through export in a year.

During the Sixth 5-Year Plan period, our province has increased the varieties of machinery products and improved their quality, and has provided many major and important technical equipment of international level of the present age for the state key projects. During this period, our province has 6,827 products listed in the state plans, showing an average annual increase of 446 products. The number of products of international level of the 1970's or 1980's rose from 10 percent in 1980 to 32 percent. Some 61 machinery products won state quality awards, an increase of 10 times over 1980. and 179 products won ministry-level quality awards, and 360 products won provincial quality awards, showing an increase of 4 to 6 times respectively over 1980.

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CSO: 4006/502

## FOREIGN TRADE AND INVESTMENT

### EDITORIAL EXPLORES TECHNOLOGY IMPORTATION PROBLEMS

Tianjin TIANJIN RIBAO in Chinese 18 Oct 85 p 1

[Editorial: "Strive for Self-Development"]

[Excerpt] To attain the correct objective in importation, we must first bear in mind the overall situation. We have to pay for imports in foreign currency. In deciding on the items to be imported, therefore, we must bear in mind the overall situation, think of the need to earn foreign exchange for the state, and give priority to those items that are capable of earning foreign exchange more quickly and in larger amounts. We must not stress imports without giving any thought to earning foreign exchange through exports. In spending foreign currency, we must exercise careful calculation and strict budgeting. Our precious foreign exchange must not be used on indiscriminate foreign purchases, and we must not waste a single moment in mastering and applying the imported technologies in order that they may be put into operation quickly and earn foreign exchange for the state. Thus, with money in hand, the state can increase its imports in an effort to catch up with the advanced world standards.

Second, in importing technology, we must think of the possibility of domestic production instead of stressing general assembling and neglecting the basic work. Now, some people are interested only in general assembling lines and have imported some production lines that are not urgently needed and usually leaving a "long tail." If foreign parts were not available, they would become heaps of scrap metals. The Tanggu Valve Plant imported some advanced technology and quickly used domestic raw materials to produce samples which were up to the international standards. All the accessories were procured at home and the plant won the initiative of self-development. Now let us suppose that we have a "rice-cooker" and some other people have the "rice." If we have no source of "rice" for the "rice-cooker" we brought, we still cannot prepare a meal.

Third, we must seek truth from facts and attempt only what we are capable of. We must not confine our attention to what is "large, foreign and complete" and forget what is "small, high-standard and

specialized." Being "foreign" does not exactly mean being advanced, and even being advanced is only relative. Now some comrades have a new obsession: Whenever importation is mentioned, they want to have large projects with heavy investment, and hope for sets of completely "foreign-made" equipment. These projects are slow in going into operation and producing results, and require long construction periods. After spending all the time and money, it is still hard to predict how the result will be when they eventually go into operation. In this age of "knowledge explosion," new technical developments are taking place every day, and the longer the construction period, the more likely will it be for advanced technology to become backward. By importing projects that are small, high-standard and highly specialized, we can quickly produce special commodities that are of a high standard and able to find a foothold on the international market. When we are so tight in foreign exchange, it is very important that we should give priority to the "small, high-standard and specialized" projects.

We must proceed from the overall situation and strive to earn foreign exchange for the country. We must also master and apply the imported technology as soon as possible to promote domestic production. In importing technology, we must seek truth from facts, have a keen sense of professional responsibility, and be willing to make hard efforts. At present, we must learn from our previous experiences and avoid the detours as best as we can in order that our work of importation may develop in a healthy way and with the correct orientation.

9411/12223  
CSO: 4006/327

FOREIGN TRADE AND INVESTMENT

STATE COUNCIL CIRCULAR PLANS CAR IMPORT RESTRICTION

OW191544 Beijing XINHUA in English 1446 GMT 19 Dec 85

[Text] Beijing, December 19 (XINHUA)--China will put a brake on car imports and streamline motor vehicle production, according to a State Council circular released earlier this week.

Continued import of cars will affect China's balance of international payments and injure the healthy development of China's automotive industry, the circular quoted a report by the State Planning Committee and other ministries concerned.

The soaring demand for motor vehicles has resulted in an excessive number of automotive plants and an excessive amount of imports, the report said.

Effective administrative and economic measures will be taken to control the production of motor vehicles, said the circular. All production must conform to a unified plan. Overlapping construction or expansion of motor vehicle plants must be checked, and prices and taxes will be used to regulate production.

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CSO: 4020/150



## FOREIGN TRADE AND INVESTMENT

### MEASURES SUGGESTED FOR TIGHTENING EXPORT CONTROL

Beijing GUOJI SHANGBAO in Chinese 21 Oct 85 p 2

[Article by Dai Wenjun [2071 2429 6511] of Guangdong Provincial Animal Products Import-Export Co.: "Four Suggestions for Foreign Trade Exports"]

[Text] There is now some confusion about export products mainly because some management power which should not be decentralized has been delegated to the lower levels. This confusion is mainly shown by the competition from the municipal and county foreign trade enterprises against the provincial foreign trade enterprises for customers and the supply of traditional products which were originally exported by the provincial foreign trade enterprises. Furthermore, some units are engaging in foreign trade exports without approval and have been exported the raw materials needed at home in disregard of state regulations.

In view of this, it is suggested that the leading departments concerned should further strengthen the centralization of management in four respects in order to promote foreign trade development.

1. There should be distribution of work in exports and a clear demarcation between the products to be handled by the specialized provincial foreign trade companies and those to be handled by the approved foreign trade agencies at the prefectural, municipal and county levels. Export permits are required for all products under the former category.
2. To avoid contradictions between selling at home and selling abroad in the supply of goods that can be exported, the department specialized in the centralized management of exports should make comprehensive arrangements for both foreign and domestic sales in order to prevent disputes.
3. No unit can engage in exports without approval. Applications for export license must be strictly examined by the departments concerned before the issue of licenses.

4. Custom's functions in supervision and inspection must be strengthened. The exports of any raw material which may affect domestic industrial production must be strictly prohibited in order that normal production and export trade not be hindered.

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CSO: 4006/327

FOREIGN TRADE AND INVESTMENT

EXCESSIVE CHARGES, LOW EFFICIENCY IN HANDLING EXPORTS

Beijing GUOJI SHANGBAO in Chinese 21 Oct 85 p 2

[Article by Jin Yue [6855 1878]: "Excessive Charges, Low Efficiency"]

[Text] In the work of exports, the question of excessive charges has assumed serious proportions as can be seen from the following examples:

1. According to regulations, a fee of 10 yuan should be paid for each export permit issued by the department concerned. The processing of the permit application takes 10 days, beginning from the date of its filing. If the permit is to be issued in less than 10 days to meet certain urgent needs, it will cost 20 yuan because of the special handling. If it has to be issued within 3 days, the charge will be 30 yuan.
2. When it is necessary to check some vouchers in the unit concerned, a fee of 5 yuan has to be paid for each voucher. Usually, we have to check for ourselves, and yet it costs us money.
3. When the department concerned is required to dispatch someone for an on-the-spot inspection, we have to supply his transportation even though the inspection takes place downtown. Besides, each inspection costs 30 yuan (although, in fact, the inspection consists of only one or two glances.)
4. Some vehicle stations have no cargo-storage sheds and therefore do not handle export cargoes. Others, though having the sheds, cannot guarantee the availability of vehicles according to the transportation plan. Furthermore, the cargo, once delivered into one station, cannot be transferred to another, even though it cannot be transported according to the plan.
5. Plans for the use of vehicles must be filed 1 month before the dispatch of cargo, but there is no guarantee that the plans would be followed. On the other hand, when some goods cannot be dispatched in time because of certain changes, no cargo can be accepted as a substitute.

6. According to the regulations of some vehicle stations, a crate of cargo cannot exceed 35 kg; otherwise the station will not be responsible for damage to it. No shipment can exceed 1,500 pieces, otherwise it will not accept the shipment or be responsible for any loss.

Many other examples can be cited.

Since ours is a socialist country, every unit should stress economic results instead of moneymaking. In foreign trade exports, some departments serve as checkpoints as well as service centers. Now will the relationship between checkpoints and service centers be handled? I believe service should be primary. As long as no state policy is violated, these departments should do everything to facilitate rather than hinder exports.

The state needs foreign exchange, and every foreign trade worker would like to make his contribution. Yet he has to cope with so many problems. As some workers said: "Nothing can be done without burning incense."

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CSO: 4006/327

FOREIGN TRADE AND INVESTMENT

SICHUAN EXPORTS MARK BIG INC. REASE OVER 1984

OW260900 Beijing XINHUA in English 0644 GMT 26 Dec 85

[Text] Chengdu, December 26 (XINHUA)--Exports from Sichuan Province, southwest China, went up 81 percent this year over 1984, according to local authorities.

By December 10, the value had amounted to 226 million U.S. dollars, in addition to 100 million U.S. dollars garnered by Chongqing City, which was counted separately.

Meanwhile, foreign goods worth 96 million U.S. dollars were imported by the province.

The province has trade ties with 2,000 businesses in 80 countries and regions, and a permanent office in Hong Kong.

Its exports cover 600 varieties, including silk, cereals, oil, food, native produce, animal by-products, metals, minerals, machines, chemicals, arts, crafts, and medicines.

This was the first year for Sichuan to directly handle export goods not included in the state plan. Previously, exports from the province were handled by the ports of Shanghai and Guangzhou.

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CSO: 4020/150



FOREIGN TRADE AND INVESTMENT

TECHIMPORT DEPARTMENT SEEKS FOREIGN OUTLET FOR TECHNOLOGY

HK230438 Beijing CHINA DAILY in English 23 Dec 85 p 2

[Article by staff reporter Xie Songxin]

[Text] In a move to protect domestic markets and find new foreign buyers, the China National Technical Import Corporation has set up an export department.

Guo Qiping, a spokesman for the new department, told CHINA DAILY good results had been achieved since the department was established last October.

Sichuan Youth Development Corporation is to export six items of technology through the department, Guo said. Other institutions, such as the Beijing Aeronautical Institute and the postgraduate department of Beijing Institute of Mining Industry, are also planning export projects.

Bulgaria is looking for Chinese technology to make soy sauce. Brazil and other South American countries have asked for Chinese traditional medicine manufacturing techniques and equipment. The department plans to send a delegation to Brazil to make investigation next year, Guo said.

"Information about the international technology market is vital to our business," Guo said. The corporation's overseas offices pay careful attention to market trends.

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CSO: 4020/149

FOREIGN TRADE AND INVESTMENT

ELECTRICAL APPLIANCE EXPORTS NOW REVENUE EARNER

OW261138 Beijing XINHUA in English 1045 GMT 26 Dec 85

[Text] Beijing, December 26 (XINHUA)--The Chinese electrical appliances industry, which used to depend on foreign imports, earned 400 million U.S. dollars in export sales during the period of Sixth 5-Year Plan.

Liu Liexun, chief of the electrical appliances section of the Ministry of Light Industry, told XINHUA that the industry no longer depends on foreign imports and can now export many of its products such as electric fans, irons, stoves, lamps, refrigerators, and washing machines.

Many of the export products are by now well-known for their good quality and reasonable prices, Liu said.

He said that great progress had been made in the industry because the living standard of the Chinese people had improved.

The estimated production of washing machines in 1985 is nine million, 35 times the figure for 1980, while that of refrigerators is 250,000, a 23-fold increase over 1980.

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CSO: 4020/150

FOREIGN TRADE AND INVESTMENT

PLANNED MEASURES TO RAISE ELECTRICAL MACHINERY EXPORTS

HK200831 Beijing CHINA DAILY in English 20 Dec 85 p 2

[Article by staff reporter Xie Songxin]

[Text] China will make great efforts to step up exports of electrical machinery in the coming 5 years, according to a vice-minister of the Ministry of Machinery Industry.

Addressing a managers' conference of China National Machinery and Equipment Import and Export Corporation which ended yesterday in Beijing, Zhao Mingsheng cited several measures that will be taken next year.

Machinery manufacturers are to be closely linked to foreign trade departments at all levels he said. Foreign trade departments will provide information on world markets, and act as agents for manufacturers.

Purchasing and selling machinery in world markets will be gradually expanded beyond trade departments to allow manufacturers direct access to foreign partners.

Major machinery producers are to be designated export producing centres, with accompanying State subsidies. Their machinery exports will be given top production priority.

Management of businesses at all levels in the machinery export field will be co-ordinated to tap full potential, Zhao said.

Overseas organizations are to be enlarged and their staff members better trained. Besides providing market information to domestic manufacturers, the organizations will also promote China's high quality products.

The State will organize more exhibitions in foreign countries, Zhao said, and publish more foreign-language magazines to inform foreign businessmen about Chinese-made machinery.

He Dekai, deputy general manager of the corporation, told CHINA DAILY that the State Council last October issued a document calling for stepped-up machinery exports. This month, the council established the Electrical Machine Products Export Office.

The corporation has exported \$1.5 billion worth of machinery the past 5 years, he said. Its products go to the Hong Kong area and to 127 countries.

CHAIRMAN OF CORN EXPORTS COORDINATION ASSOCIATION INTERVIEWED

Beijing GUOJI SHANGBAO in Chinese 17 Oct 85 p 2

["Corn Exports Must Be Well Coordinated--Interview of Zhu Jinchang [2612 2516 2490], Chairman of China Corn Exports Coordination Association"; date and place not given]

[Text] Correspondent: Chairman Zhu, the China Corn Exports Coordination Association was formed in Beijing on May 11. Please tell me something about its characteristics and guiding principles.

Zhu Jinchang: Corn is a bulk commodity in international trade. Relatively speaking, this commodity has a stable market with definite sales channels and customers. On the world market, corn transactions are handled by some "food magnates" who are well informed, resourceful, specialized and who enjoy a certain monopoly. Such transactions cannot possibly be handled by ordinary customers or small traders. In order for our corn to be exported at a reasonable price, the units authorized to export corn must be united in dealing with foreigners. This is the primary purpose in the establishment of the China Corn Exports Coordination Association.

This association is not an official organ, but rather a trade organization. However, it is entrusted by the Ministry of Foreign Economic Relations and Trade with the task of coordinating the pricing and marketing of China's corn exports and regulating the activities of the association's members according to the state's corn exports plan. In this sense, the association is a very important organization in this trade with the authority of coordination and supervision. It is a nonprofit organization and does not sign any contract directly with foreigners.

The forming of associations for united action toward foreigners is a very old practice in foreign countries. Many countries in the world have export associations or councils similar to China's Corn Exports Association.

Correspondent: Article 1 in the "Notice from China Corn Exports Association" (see front page of our October 14 issue for details. Hereinafter "Notice" for brevity), refers to exported corn "regardless of its color, grade and use." These remarks are easy to understand; but how about "regardless of the mode of trade and the selling market"? Please clarify.

Zhu Jinchang: All transactions, regardless of whether they are cash, credit or barter, and the location of sales, are subject to coordination by the association, and there can be no exception whatsoever. In other words, bulk commodities for exports must be highly centralized. This is what we have learned from practical experiences of the past several years.

Correspondent: Article 2 in the "Notice" says that corn exports are included in the state's plan, which is a mandatory plan. I believe this means that the state exercises macroeconomic control through planned control and that the mandatory plan should be carried out by the enterprises dealing in exports. Am I right?

Zhu Jinchang: You are right. Ours is a socialist country in which planned economy plays the leading role with the market's regulative role in a subordinate position. Planning is the main basis of macroeconomic control, and without the state's mandatory plans, there can be no macroeconomic control to speak of. The flexibility of microeconomy means flexibility under macroeconomic control; otherwise, it would be difficult to prevent flexibility from turning into disorder.

Correspondent: There is another question about Article 2. According to it, corn must be exported by the enterprises following the export plan and these enterprises must also be members of the association exclusively. In other words, does it mean that those who do not follow the export plan and are not members of the association cannot export any corn?

Zhu Jinchang: It can be so interpreted. In other words, not all enterprises can export corn. Only the enterprises who are authorized to deal in exports, have accepted the task as required by the export plan, and are willing to join the association and to abide by its coordination, can export corn. Even though some enterprises are authorized to carry out exports, we still have to see if their approved scope of operations include corn exports. This is the primary qualification for association membership. They cannot export corn without this membership even though they are so authorized.

Correspondent: Is there any specific regulation about this?

Zhu Jinchang: Yes, there is. According to Article 4 in the "Notice," any enterprise intending to export corn must apply to the Ministry of Foreign Economic Relations and Trade for an export permit. The procedure is as follows: The export contract and the relevant documents must be submitted to the association for examination. If the export is consistent with the association's coordination plan, the association will affix its seal, and then the application will be accepted by the ministry for processing. The permit will be issued provided no evidence of contravention to the rules and regulations of the ministry is found.

Correspondent: Chairman Zhu, since you have taken so much of your valuable time to answer my questions, let me thank you and wish your association every success on behalf of our concerned readers.

Zhu Jinchang: With strong support from various quarters, we are quite eager to make our work a success in the way of coordination, consultation and other services.



BRIGHT PROSPECTS FOR EXPORT OF WOOD PRODUCTS

Beijing GUOJI SHANGBAO in Chinese 26 Sep 85 p 2

[Article by Xie Hairen [6200 3189 0088]: "Nation Develops Wood Products Export Trade"]

[Text] At the nation's first wood products trade fair recently held in Guangzhou, Su Wanju [5685 5502 5112], assistant general manager of the China Wood Products Import and Export Co, pointed out in an interview with reporters that the situation regarding the export of our lumber and wood products was favorable, that there was an abundance of a wide variety of trees, that there was a large demand in the market, that prices for such products were on the rise, and that the future promised well for the export of our wood products. He appealed to all departments concerned to direct their attention to the situation so that wood products might soon become major export commodities and that more foreign exchange might be earned to promote our four modernizations projects.

In recent years, we have been importing a large amount and exporting a small amount of lumber. Although the United States imports wood products amounting to \$2.8 billion annually, we export only several hundred thousand dollars' worth of wood products to the United States. Therefore we must direct our attention to increasing the export amount of lumber and wood products. It was for that purpose that the China Wood Products Import and Export Co was established.

Facts indicate that there is a large international market for wood products, especially fiberboard, nonnodal wood and wood chips, products which we are well able to supply. Recently, a large transaction was made by representatives sent by the China Wood Products Import and Export Co on an investigation and negotiation trip to Japan. A paper factory in Japan, which used to buy wood chips of coniferous trees, has changed to using wood chips of broadleaf trees, thus offering an excellent export market for the various areas in southern China in which broadleaf trees abound. According to Japanese sources, Japan imports 3.85 million tons of wood chips at \$80 per ton from Australia every year. There is therefore a potential for the export of the product from China. There is also a considerable market in Japan and the United States for our wooden chopsticks and popsicle sticks. Businessmen in Japan have expressed interest in buying from us such products as they consider competitive.

Both the southern and northern parts of China abound in a variety of lumber resources. Although the northeastern region produces an assortment of hardwood trees, full use has not been made of them. Some is being wasted and even used as fuel. Guangdong Province produces a variety of broadleaf trees. If we would import economical and rapid-growing eucalyptus trees, Leizhou Peninsula alone can produce a large amount of that variety instead of rubber trees which need to be replaced. Although less than prepossessing in appearance, such trees can be processed into wood chips and other wood products to earn large amounts of foreign exchange. On the basis of our present lumber resources, we are fully capable of developing such commodities as wood chips, fiberboard, shaving boards, decorative adhesive boards, teak and teak products, popsicle sticks, chopsticks, toothpicks, assorted hardwood products, high-quality sawn wood (nonnodal wood), wooden trays, tung wood and tung wood products.

9621/13045

CSO: 4006/158

FOREIGN TRADE AND INVESTMENT

INTEL OF U.S. INVOLVED IN PRC MODERNIZATION

OW051652 Beijing XINHUA in English 1524 GMT 5 Dec 85

[Text] Beijing, December 5 (XINHUA)--Chinese Vice-premier Li Peng today met Laurence R. Hootnic, vice-president of Intel, America, and Chao Kuang Piu, chairman of the Hong Kong Novel Precision Machinery Co Ltd.

Intel is internationally known for its semi-conductor integrated circuits and microprocessors.

Li Peng noted that over the past year or so cooperation between the Chinese Aviation Industry Ministry and Intel has been constantly expanding.

It was learned that Intel products have been applied in China's hydropower station remote-control systems and coal mine security alarm and communications systems.

Ki said China's electronics industry is still at an initial stage. The key tasks now facing the industry are the manufacture of microprocessors and components, and their applications.

He expressed the hope that Intel would increase its cooperation with China in development and application.

Mo Wenxiang, minister of the aviation industry, was present on the occasion.

Yesterday the two visitors attended the opening ceremony of the new Intel liaison office in Beijing. They also reached an agreement of intent with leading members of the Chinese State Education Commission on helping computer departments of China's universities to set up development system laboratories and training centers, with preferential treatment.

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CSO: 4020/148

FOREIGN TRADE AND INVESTMENT

SUCCESS OF CHINA'S JOINT VENTURES OVERSEAS REPORTED

Beijing GUOJI SHANGBAO in Chinese 17 Oct 85 p 2

[Article by Dai Xiaoxia [2071 2556 7209]: "Good Economic Results for Most of China's 140 and More Joint Ventures Overseas"]

[Text] Up to now, China has 144 enterprises--either joint ventures or enterprises with exclusive Chinese capital--in 34 countries and regions with a total investment of \$239 million. The establishment of more than 300 other joint ventures is now under negotiation. This was what Vice Minister Wei Yuming [7614 3768 2494] of the Ministry of Foreign Economic Relations and Trade said at the first conference on the work of joint ventures overseas held recently.

In recent years, more than 90 percent of the joint ventures set up abroad by China have produced good economic results. The 13 projects undertaken jointly by China and foreign countries for the development of such resources as forestry, fishery and mining have already shown initial success. In the first half of this year, more than 500,000 cubic meters of timber has been transported back to China. China has also signed agreements and contracts of cooperation with Senegal, the United States, Sri Lanka and four other countries, and organized its first ocean-fishing fleet for fishing in several countries' territorial waters. China has also set up joint ventures abroad for industry combined with foreign trade. These enterprises are now serving as a bridge for importing advanced foreign technologies and increasing exports. For example, the Beijing No 1 Machine Tool Plant and a Hong Kong trader jointly bought a digital-control machine-tool plant in the United States. China now can train its personnel in digital-control technology and promote the export of its common machine tools. China has formed 19 international engineering corporations jointly with foreign countries, signed contracts of cooperation in construction projects, and undertaken engineering projects abroad. These activities have helped China enter foreign countries and develop business undertakings. Furthermore, China has established 13 joint-venture Chinese restaurants in 10 foreign countries. The cooking techniques and tasty dishes have received praise.

The focus of development of China's joint ventures with foreign countries during the period of the Seventh 5-Year Plan is as follows: development of natural resources, importation of advanced technology and equipment, promote and encourage the export of products and labor service, and tap new sources for contracts.

## BRIEFS

LOAN TO NINGXIA--The Ningxia International Economic and Technical Cooperation Meeting was held 15 to 25 September in Yinchuan. The purpose of the meeting was to strengthen economic cooperation with various countries in the world in general and with the Islamic nations in particular, to attract foreign capital and to achieve joint development. Announced at the meeting were 117 mutually beneficial projects of cooperation. The various import and export companies in Ningxia, the Islamic International Economic and Technical Cooperation Co, the Islamic Trust and Investment Co, and businessmen from various parts of the world engaged in a wide-ranging and friendly exchange of views. By the conclusion of the meeting, 86 items of business had been discussed and 6 contracts, 7 agreements, and 7 letters of intent had been signed. The center of attention at the meeting was the agreement to import \$200 million from the Islamic nations in the form of loans, most of which is to be used for the expansion or construction of 7 large-scale projects capable of developing to good advantage Ningxia's resources. This cooperative project is in the process of further discussion. Discussions on the import of advanced technologies from abroad also yielded notable results. Transactions concluded at the meeting could amount to \$10 million. Among the larger items are cooperation projects concluded with the Ke-Ruo [phonetic] Engineering Corp of Switzerland and the Ji Xie Co of Hong Kong to import advanced technology and equipment capable of producing annually 20 million tons of long-weave polyester silk. In addition, the Ningxia Autonomous Region also took advantage of the meeting to conclude a number of contracts and cooperative labor agreements, among which as an agreement for the joint establishment of a factory for the manufacture of construction materials in Egypt, and one for the supply of technology to the Sudan to put its deserts to good use. [Text] [Beijing GUOJI SHANGBAO in Chinese 26 Sep 85 p 1] 9621/13045

SHODDY IMPORTS--Since the beginning of the year, Zhejiang Province has imported from Hong Kong 135,000 electron guns which proved to be of poor quality. Through joint efforts made by the concerned departments, the foreign traders have recently admitted their fault, agreed to replace part of the products, and offered to pay compensation for financial losses incurred. In January of this year, the Hangzhou Communication Equipment Factory imported 25,000 electron guns for producing television picture tubes from the Hong Kong Zhengda Trading Co. Upon inspection, it was discovered that the gun barrels were bent, causing the tubes to produce distorted pictures, that the welding marks clearly indicated that they had been returned for repairs and that the substandard rate reached as high as 46.8 percent. Whereupon, the importer demanded compensation from the foreign exporter. In early September, representatives of the



importer came to Hangzhou to inspect the products on the spot and to discuss the question of compensation. Following the inspection of the products, the representatives admitted the substandard quality of the electron guns and agreed to replace 18,826 of them. Meanwhile, the No 2 Television Factory in Hangzhou also discovered similar defects in 60,000 electron guns imported from the same company in Hong Kong. After a certificate had been issued by the commodities inspection department in support of the demand for compensation, the exporter also agreed to replace 42,000 of the product and to offer an additional 3,800 electron guns as compensation. At the same time, another company in Zhejiang also imported 50,000 electron guns from the Wanyue Co Ltd in Hong Kong. Upon inspection, even more serious defects, such as the inadequate firing power of the guns, the leakage of electricity in the filaments and cathodes, and the short-circuiting of the electrodes, were discovered. Following negotiations, the exporter agreed to take back the entire consignment. [Text] [Beijing GUOJI SHANGBAO in Chinese 26 Sep 85 p 2] 9621/13045

JOINT VENTURES--Since adoption of the open door policy by the state, Tianjin has been developing projects involving economic and technical cooperation with foreign countries at a rapid pace. By the end of the first half of the year, it has approved investments had by eight overseas enterprises totaling over \$6 million and domestic enterprises amounting to over \$3 million. Feasibility studies are being made on over 10 projects involving an investment of some \$9 million, of which over \$3.9 million will be invested by the Chinese side. The largest investment in joint ventures comes to over \$1 million, while the smallest comes to only a little over \$100,000. These investments involve over 10 businesses, including welding electrodes, bicycles, electronic watches, shoes, seasoning for nonstaple foods, matrices, breeding, transportation and clothing. Among the countries and regions involved are the United States, Canada, Ethiopia, Yemen Arab Republic, Japan, Pakistan and Hong Kong. Some of these joint ventures have already begun operations and achieved favorable economic benefits. The Hong Kong Tianyihua International Co Ltd, for instance, which begun operations 5 months ago, has already made a profit of HK\$800,000. The special features of overseas enterprises in Tianjin are that some 65 percent of the joint ventures involve the regions of Hong Kong and Macao and the developing countries, that the developing countries are mostly involved with investments in the light industries by supplying technologies and equipment, while the economically developed countries are interested primarily in investing in new technological and food and beverages industries. Most of the investment in the new technological industries is in the form of cash, while most of that in the food and beverages industry concerns the supply of traditional Chinese culinary techniques. [Text] [Beijing GUOJI SHANGBAO in Chinese 26 Sep 85 p 2] 9621/13045

TOURIST COMPANY FORGES TIES--Beijing, December 25 (XINHUA)--The China Swan International Tourist Company was launched here today to offer, among other things, specialized services such as enjoying rural life and Chinese cuisine. The company, with the China National Nonferrous Metal Industry Corporation as its backing, has forged business ties with travel agencies in Australia, North America, Europe, Japan, Hong Kong and Macao. [Text] [Beijing XINHUA in English 1624 GMT 25 Dec 85 OW] /8918

JIANGSU EXPANDS INVESTMENT ZONE--Nanjing, 19 Dec (XINHUA)--The Jiangsu Provincial Government has expanded its economic development zone by approving the opening of 29 satellite towns to foreign investment. A government official said here today that the satellite towns will join the three major cities of Suzhou, Wuxi, and Changzhou, and the 12 county towns and a district under their jurisdiction as part of the new development zone. The satellite towns in the 12 counties have mainly rural industries. The total industrial output value of most of these towns exceeds 100 million yuan a year. [Text] [Beijing XINHUA in English 1030 GMT 19 Dec 85] /9599

FOREIGN FUND UTILIZATION--This year, the 4 SEZ's and 14 coastal open cities have made better progress than ever before in the use of foreign funds and the importation of advanced technology. In the first half of this year, Shenzhen, Zhuhai, Xiamen and Shantou signed 406 contracts on joint ventures. The foreign traders invested \$939 million, of which \$161 million were actually used. Since their establishment, these four SEZ's have signed more than 4,400 contracts of some \$5 billion in value, and the actual investment was nearly \$1 billion. In the last 12 months, and 14 coastal open cities transformed more than 2,170 old enterprises--including some 600 in the first half of this year--with their imported technology, and 234 of them have been completely transformed. In the first half of this year, these 14 cities signed 483 new contracts and agreements involving a foreign investment of \$790 million. [Text] [Beijing GUOJI SHANGBAO in Chinese 21 Oct 85 p 2] 9411

PHONE COMPANY BEGINS PRODUCTION--Shanghai--Shanghai Bell Telephone Equipment Manufacturing Co began official production here on Monday after months of trial operation. The company is a joint venture between China and Belgium. Yang Taifang, minister of telecommunications, said the company is a significant step in improving communications in the country. P. D'Honpt, a special representative of the Belgian Government, said the advanced factory is evidence of growing economic ties between China and Belgium. The 170 million yuan joint venture project, with the Chinese side holding 60 percent of the shares, will manufacture SL240 digital telephone switching equipment. The company is housed in a renovated nine-storey building. Another seven-storey adjunct is under construction for manufacture of parts and printed circuit boards. The new plant is expected to turn out 11,000 lines in the last quarter of this year. Next year it is expected to produce 14,000 lines, the general manager said. [By staff reporter Zhen Fan] [Text] [Beijing CHINA DAILY in English 18 Dec 85 p 2 HK] /8918

JIANGSU OVERFULFILLS EXPORT TARGET--Nanjing, 26 Dec (XINHUA)--Jiangsu Province has exported more than 1.5 billion U.S. dollars worth of goods so far this year, overfulfilling the annual target. This is nearly six percent more than the same period of last year, according to local authorities. [Text] [Beijing XINHUA in English 1124 GMT 26 Dec 85] /9599

SHANDONG COTTON EXPORTS--Jinan, 26 Dec (XINHUA)--Shandong Province's cotton exports this year had reached 81,500 tons by December 20, surpassing the year's quota ahead of time. The province earned over 120 million U.S. dollars through cotton exports, a provincial official noted here today. The province's cotton has been sold to countries and regions in Southeast Asia and Eastern Europe. It is also entering markets in Western Europe and South America, he added. [Text] [Beijing XINHUA in English 1431 GMT 26 Dec 85] /9599

CSO: 4020/150

## LABOR AND WAGES

### JOB PLACEMENT IN GUANGDONG WILL REACH 1.7 MILLION

Guangdong NANFANG RIBAO in Chinese 27 Sep 85 p 1

[Article: "New Job Placements in Cities and Towns in Guangdong Are Expected To Reach 2.7 Million"]

[Text] The work of job placement in Guangdong has made significant gains during the Sixth 5-Year Plan period. New job placements in the cities and towns are expected to reach 2.7 million, at an average rate of 540,000 per year.

The work of job placement in the cities and towns in Guangdong in recent years is marked by two major features. First, in seeking to implement the state centralized planning and guidance, the labor departments have, in their work of job placement, voluntarily adopted the policy of establishing a link between those awaiting job placements and those who apply for jobs on their own. More and more of those seeking jobs in the cities and towns, instead of waiting passively to be placed, are making positive efforts in finding jobs by themselves. Aside from those who have acquired new jobs through centralized assignments by the state, some 30 percent of the 1.3 million who have been placed in the cities and towns are working in various units of state enterprises, while some 70 percent have been assigned to various units of collective enterprises, jobs of a temporary nature, and individual enterprises. Second, there has been a rapid increase in the number of people employed in the growing tertiary industries. It is estimated that by the end of the year, 3.84 million workers in the cities and towns will have been employed in tertiary industries, showing an increase of 34.2 percent compared to 1980. Among those so employed, the rate of increase is most rapid in the service trades most closely related to the peoples' daily life. It is estimated that by the end of 1985, 1.63 million will have been employed in commercial enterprises, the food industry, and service trades, showing an increase of 43.3 percent compared to 1980.

At the moment, the rate of those awaiting employment in the province is somewhat lower than that of the nation as a whole. In some of the more economically developed cities, the problem of employment has been essentially resolved.

As the employment situation improves, the proportion of people working in the cities and towns has risen. The number of people supported by each worker has dropped from 1.71 in 1981 to 1.68 in 1984. In addition, wages have risen in recent years so that the real income of the workers has shown an increase after making allowances for increases in commodity prices.

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LABOR AND WAGES

CHILD LABOR PROBLEM IN RURAL ENTERPRISES MERITS ATTENTION

Beijing ZHUANYEHU JINGYING BAO in Chinese 21 Sep 85 p 6

[Article by Lu Shaoqing [0712 4801 3237]: "The Problem of Child Labor in Rural Enterprises Calls for Attention"]

[Text] With the development of the commodity economy and readjustment of the structure of the industries, there have emerged an increasing number of small enterprises in the rural areas. While that is all to the good, the employment of child labor by rural enterprises in certain areas is a problem that merits our attention.

The household industries in Jinxiang Township of Zhejiang's Cangnan County, which are relatively developed, employ some 700 children from peasant families between the ages of 10 and 15 as helpers each day. They are employed in the manufacture of aluminum nameplates, printing, plastic products, trademarks for polyester fibers, etc. Most of them work between 10 and 12 hours each day and some as much as 12 to 16 hours. The pay at 1 yuan per day is extremely low and working conditions are deplorable.

There are three major reasons for the employment of child labor. First, most of the household industries involve a simple type of labor that does not call for a high cultural and scientific standard, and most of the equipment is small machinery that can be operated by children. Second, children are paid as little as one-third the amount for adults; they follow orders more readily and can be made to do such household chores as cleaning and cooking for their employers. Third, there is an ample supply of child labor in the vicinity. Most of the people in the rural areas in the vicinity of Jinxiang Township are engaged in one-crop farming. Because of their low income and difficulty in supporting their families, they are not averse to letting their children go out to earn some money.

In the development of the rural economy, child labor is a problem that merits the attention of the various parties concerned. Since they are at a growing and developing stage, children should not be allowed to engage in too many hours in the type of work that requires intensive labor or that is of a toxic nature. Furthermore, teenagers are at a crucial stage in their intellectual development and should not be taken out of school and the learning process at too early an age. Even if they should grow up to be peasants, they would find it difficult to meet the demands of modernized agriculture. For this reason, we should look at the problem from the long-term point of view and adopt the necessary measures to bring about its solution.

## TRANSPORTATION

### STEPS FOR IMPROVING TRANSPORTATION OUTLINED

#### Tentative Plans

Beijing ZHONGGUO JIAOTONG BAO in Chinese 31 Aug 85 p 2

[Article by Zhang Jinhua [1728 6855 5478] Chief of the Fujian Communications Department: "Tentative Plan for Fujian Transportation Reform"]

[Text] In the last few years, transportation in Fujian has developed vigorously. It has been characterized by changing from being closed to being open and public, from stressing inland transportation to giving play to the advantages of ocean transport, from being a congested system to one that is relaxed and lively, and from being singly managed to having everyone involved.

At the present time, Fujian's transportation is still a weak link in the national economy. There are few deepwater harbor docks, its freight-handling capacity is not sufficient, and there is pressure on ships and harbors. Highway standards are low and other roads are only half that level. Inland water routes lack overall administration and navigable mileage has decreased. Speeding up development of transportation facilities is restricted by the factors of funds, materials and qualified personnel.

In accordance with the spirit of the National Communications Work Conference and the guiding ideology of "reform, develop, transform and serve" proposed by the provincial government's standing committee, the four aspects of "establish, change, separate and relax" has been stressed in Fujian transportation reform.

The "establish" aspect is establishing a mental attitude of serving the people wholeheartedly and stressing the primary importance of service, travelers, cargo owners, and reputation while also being resolute in stopping brutal loading and unloading, rudeness to passengers, and uncivilized habits. This aspect also covers putting an end to disorderly handling of checking, payment, and fines, and also the prevention of damage to cargo, injury to passengers, and unhealthy tendencies that encroach on the interests of individual transportation households. Throughout the reform process we should emphasize social benefits and a national sense of responsibility.

"Change" represents the realization of "two changes" to enhance administrative supervision of communication. From now on the principal duties of the departments responsible for communication will be to first bring about management of the industry, to rely mainly on general and specific policies, communication laws and regulations, and information contacts, and also to emphasize planning, coordination, supervision, and service. Second, they will be responsible for constructing facilities for a good communication base, emphasizing construction of roads, bridges, harbors and river control.

"Separate" is the separation of responsibility for management from enterprise, having centralized management and dynamic enterprise. Units that have these two aspects combined should gradually carry out separation of management and enterprise or separation of the responsibilities for these. The communications sector should strengthen centralized management. We intend to adopt the method of separate management of water and highway transportation by appropriate departments, and set up separate management organizations. The province will establish a harbor navigation bureau to carry out designated management of harbor affairs and internal waterway affairs throughout the province. The Provincial Shipping Management Bureau and the Provincial Steamship Co. will be separated, with the management bureau being dissolved and the Steamship Co. becoming an independent economic entity. Ports will set up organizations based on city administered areas to handle harbor affairs and implement a system of "dual leadership stressing cities as the principal unit." Designated management will gradually be carried out on highway transportation, with vehicle inspection, communication management, and supervision of transportation being combined in a "three-in-one" system.

"Relax" is first the continued relaxation of policies to invigorate transportation, and the implementation of policies that create a diversified economy and encourage competition while also supporting areas and departments in developing their transportation capability and aiding individual transportation businesses. Second, it is to arouse enthusiasm in all areas, speed up transportation construction, and encourage construction of cargo wharfs and specialized highways; to continue the policy of run by the local people, subsidized by the state, having laborers work on public projects, encouraging the peasant masses to raise funds for building roads and bridges, harnessing small rivers, and constructing small docks; and to free ourselves from old ideas and broaden channels for raising funds. In addition to the state's appropriate measures of increasing its investment and raising highway and river fees, we should also adopt methods such as getting loans for construction and repaying them with collected fees, and using investments from overseas Chinese, foreign funds, and joint funds for construction.

#### Southern Fujian Triangle

Beijing ZHONGGUO JIAOTONG BAO in Chinese 31 Aug 85 p 2

[Text] The Southern Fujian Triangle is located along the southern coast of Fujian. The State Council has approved the 11 counties under the

jurisdiction of Xiamen, Quanzhou, and Zhangzhou becoming an open economic area. This area has a 1,600-km coastline with 19 harbors, of which Xiamen and Quanzhou are open to foreign countries. The Xiaocuo Harbor in Meizhou Bay, located in the area's northern part, has a deepwater berth 2.5 km long; a 10,000 ton class dock for various goods is currently under construction. The area has well-developed highways with 5,500 km open to traffic. Each 100 square km of area has 40 km of highway, and the area's towns and 85 percent of its villages are accessible by vehicle. Construction has already begun on the Xiamen to Zhangzhou section of a class I highway to be built in the southern areas of Fujian, Jiangxi, and Hunan. The area is currently linked up by the Yingxia Railroad. Work on a railroad between Zhangzhou and Yuanzhou is in full swing, and another is planned to be built between Zhangzhou and Shantou. Xiamen International Airport has started scheduled flights to the Philippines, Hong Kong, Japan, Fuzhou, and Beijing.

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## TRANSPORTATION

### FUTURE HIGHWAY CONSTRUCTION IN SHANDONG DISCUSSED

Beijing ZHONGGUO JIAOTONG BAO in Chinese 4 Sep 85 p 1

[Article by Zhao Weiwu [6392 3634 2976], Director of the Communications Department of Shandong Province: "Highway Construction Should Proceed From Actual Conditions and Be Carried out According to Capabilities"]

[Text] Shandong's highway mileage ranks 11th nationally while its population density is the third highest in the nation, this situation is not suitable for developing the national economy. Therefore, accelerating the pace of highway construction and changing the backward situation of highway transportation has become an extremely urgent task confronting us.

Highway construction should be speeded up but it must proceed from actual conditions and be carried out according to capabilities, we cannot ignore the conditions of financial and material resources and just arbitrarily build projects. In view of this thinking, we have decided to concentrate our strength and funds, and stress construction of strategic main highways that are of overall importance. At the same time, we will adopt active measures to improve highway traffic in rural and mountainous areas. During the period of the Seventh 5-Year Plan, Shandong will stress highway construction in economically developed areas, carry out a combination of reform and new construction, with reform as its main policy, and raise highway technology. Technical reform will be carried out in a planned way on highways for transportation out of energy-source areas, highways to ports and for opening traffic to cities, main public highways and highways branching out from railways, and main city entrance and exit highways; highway construction for poor areas will also be stepped up. It is estimated that by 1990 highway traffic capacity throughout the province will be more than double the capacity of 1980, basically allowing through traffic to all the province's rural areas and small towns.

Enthusiasm for road construction is high throughout the province, causing a road construction craze to emerge, which is good. Still, some areas have planned too many road construction projects, and some county rural roads have been started without adequate planning, as a result of the momentum generated by the uproar over road construction. In order to give proper guidance to the present road construction craze, a provincewide road construction and maintenance work conference was held in April of this



year at which we requested leaders at all levels to maintain a clear head, and on the basis of research results and the plan for needed and feasible road construction, to first work on projects already planned and to delay projects not on the plan. For projects already on the plan, they are to do them in order of importance, do the construction in stages, not start a new section until work is finished on the one they are currently working on, and to make sure everything is completed on it. This will allow proper play to be given to benefits from the new or rebuilt highways.

Some reporters have asked if Shandong will build expressways. Expressways are the fundamental facility of modern transportation, and based on the conditions of other countries, one expressway has the transport capacity of five railroads, so its advantages are obvious. But since our country has limited financial and material resources, we cannot meet the construction requirements of an expressway. Therefore, for the time being Shandong does not plan to build an expressway. In order to solve Shandong's transportation problem, we are prepared to concentrate our strengths and funds, and at the same time we are rebuilding our main highway routes we will also build some new high-grade main highways, and raise the quality, class, and traffic capacity of highways. During the period of the Seventh 5-Year Plan, we are prepared to first build a high-grade class I highway from Jinan to Qingdao. By the end of this century all of Shandong's 13,500 km of highway will be made into class I or class II highways.

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## TRANSPORTATION

### CAUSES, SOLUTIONS FOR HIGHWAY ACCIDENTS OUTLINED

Beijing ZHONGGUO JIAOTONG BAO in Chinese 11 Sep 85 p 1

[Article by Liu Zhangshi [0491 4545 1102], Communications Bureau Director, Zhoukou Prefecture: "Causes, Solutions for the Excessive Number of Accidents Currently Occurring on Highways"]

[Text] During the first half of this year, Zhoukou Prefecture experienced a large increase in transportation accidents in comparison to last year, and it has now become a glaring problem of public safety. Why have there been so many transportation accidents in the last few years? Through investigation we have discovered several causes which are listed below.

1. The vehicles on the roads exceed traffic capacity and all types of vehicles are intermingled. Most of Zhoukou Prefecture's main highways have a planned traffic capacity of from 300 to 500 vehicles for each 24-hour period. In the last few years motorized vehicles have increased a great deal; 12 main highways have an average daily traffic flow of between 800 and 1,500 vehicles, and among these there are a few main artery highways that have a daily traffic flow of between 2,400 and 3,100 vehicles, and there are certain sections of highway that have a traffic flow as high as 10,000 vehicles per day. With cars, tractors, motorcycles, motor-driven three-wheeled vehicles, animal-drawn carts, and bicycles intermixed on the road, plus the highway's safety facilities being imperfect, serious traffic jams and disorderly traffic flow result.

2. There is a serious problem of vehicles breaking traffic regulations. Looking at the condition of 100 motorized vehicles randomly checked on various highways, almost all of these vehicles had violations, and some had multiple violations. Vehicles breaking traffic regulations have led to a large increase in traffic accidents. From January to May of this year, various motorized vehicle accidents caused the deaths of over 100 people, and the responsibility for these accidents rested on the drivers 53 percent of the time.

3. Government is setting up more checkpoints and there is confusion in traffic management. We checked Dancheng County and found 8 types of checkpoints. These checkpoints being operated by the Communication Inspection Department, Highway Administration Department, Road Maintenance

and Fee Collection Department, and the departments of Industry and Commerce, Tax Revenue, Agriculture Machinery, and the Department of Municipal Construction. In addition to these, Zhoukou also has checkpoints by the Offices of Public Safety, Municipal Administration, and Municipal Reorganization. Each time a transport vehicle makes a trip it must have over 10 permits, and after traveling only a few li must stop to be checked. If the vehicle is even slightly negligent it is detained and fined, which obstructs traffic and, blocks anyone from passing through.

4. There are too few inspection personnel and they are performing their duties poorly. In the last few years, the number of Zhoukou Prefecture's motorized vehicles has increased by 500 percent over that of 1979, while the number of inspectors has increased very little. On the average there is only 1 inspector for every 365 vehicles. Of the 140 inspectors throughout the prefecture, there are only three assistant engineers, two technicians, and four examiners.

5. The handling of traffic accidents is disorderly, unsystematic, and done in a careless and hasty manner. Currently, there is no single nationwide regulation for handling traffic accidents, even provinces, cities, and autonomous regions do not have a unified method. Because of its being disorderly and unsystematic, some inspection departments accept money to make concessions, which does not teach lessons to violators and does not change repeat offenders.

6. Safety education is very weak, especially in publicizing it to the masses walking close to highways. Some of these people do not understand traffic regulations, they do not differentiate between lanes and randomly walk all over, not giving motorized vehicles the right of way.

Based on these problems that exist in traffic safety, we believe the following measures should be adopted.

--Formulate a traffic regulation for the administration of roads. The state should quickly publish a "People's Republic of China Traffic Regulation" so the highway administration will have laws to rely on.

--Establish a traffic safety organization. The present Communication Inspection Department only has the power to supervise operators and vehicles. It does not have the power to subpoena or arrest criminal offenders that threaten traffic safety. This is not beneficial for doing a good job for public security in traffic.

--Increase the number of safety testing equipment. The Communication Inspection Department should be given equipment for vehicle-speed detection, blood alcohol content in a driver's, and for recording investigation data at the accident site.

--Improve highway technology and increase safety facilities. At main intersections, in accordance with technical requirements, single or tiered

intersection bridges should be installed. Protective fences, pedestrian islands, and warning lights should be installed at road sections that have heavy traffic and where there are many pedestrians. Safety signs should be installed along all classes of highways.

--Management of motorized vehicles and drivers should be enhanced. A contract responsibility system should be established for inspection personnel. Inspection personnel should understand how to conduct management during their daily safety guidance of vehicles and personnel on the roads.

--We should publicize traffic regulations and safety education. Courses on traffic regulations should be increased in middle and elementary schools, and broad use should be made of instruments of publicity, such as newspapers and radio and television broadcasts.

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## TRANSPORTATION

### PROPOSALS RAISED TO REDUCE BEIJING TRAFFIC STRAIN

OW200728 Beijing XINHUA in English 0649 GMT 20 Dec 85

[Text] Beijing, December 20 (XINHUA)--Reducing unnecessary traffic is an effective and economical way to alleviate the strain on Beijing's transport, says the newspaper ECONOMIC INFORMATION.

The volume of Beijing's passenger transport is nine million passenger-journeys a day. There are 310,000 vehicles in the city.

At some crossroads, drivers can be delayed for an hour. So goods are delivered late, and people's time is wasted in travel.

With economic development and population growth, the volume of traffic has increased. But construction of roads and other facilities has been neglected for many years.

In this situation, it is impractical to increase the number of vehicles. That would only aggravate matters.

Only expensive, long-term construction projects (?would help to) solve the problem. But in the short run, traffic congestion can be relieved in the following ways.

Bulk truck deliveries--Before 1981, for example, enterprises individually went to Beijing's oxygen plant to fetch cylinders. Three hundred trucks would queue at the plant every day. Since the work was contracted to Beijing Transport Company, 15 to 17 trucks now handle it.

This simple step can be widely applied; the efficiency gains are seven-fold, the paper says.

Over the past five years, public trucks have not been used at full capacity. But the number of individual work units' trucks has increased 60 percent. This has resulted in excessive traffic.

A license plate tax and other methods should be used to control the number of trucks owned by work units and to support (?public) freight transport.



Using larger and more specialised vehicles--About 62 percent of the city's freight--such as building materials and coal--can be carried by large lorries. If the current average vehicle loading (?capacity) is increased from 4.9 tons to 11.5 tons, the number of trucks can be halved.

Night freight transport in the city proper--This makes fuller use of roads and alleviates traffic congestion. Trucks that must travel in the city by day should have timetables and set routes.

Reducing the volume of rubbish--Beijing environmental sanitation departments spend 2,400 trucks a day carrying away rubbish. If the city suburbs develop vegetable processing, the city provides coal gas to all its citizens, and more septic tanks are built, this traffic can be reduced.

Helping employees live near their places of work--Since 1975, Beijing Western City District Non-Staple Food Company has transferred more than 3,470 workers to new workplaces nearer home. Thus, 96 percent of employees who used to take a bus for distances more than an hour away daily have benefitted.

Combining the bicycle with public transport--A cyclist occupies more space than a bus passenger. Buses are often bogged down in a sea of bicycles. The slowness of the bus means more people opt for the bicycle--a vicious circle.

Relevant departments should set up bicycle parking areas near main bus shops and subway outlets to encourage people to ride bicycles and then transfer to public transport.

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## TRANSPORTATION

### REDUCING SHIP CONGESTION IN PORTS

Beijing ZHONGGUO JIAOTONG BAO in Chinese 7 Sep 85 p 1

[Article by Li Changqing [2621 7022 7230]: "Further Reduce the Overwhelming Number of Ships at Anchor"]

[Text] Under the leadership of the State Council's Port Office, the Ministry of Communications formed four work teams headed by Minister Qian Yongchang [6929 3057 2490] and three vice ministers. On 5 September these teams left for four various ports, including Dalian and Tianjin, for on-the-spot handling of matters to further ease the problem of ship congestion.

Since May of this year, all harbors have had extremely serious problems with ship congestion. After several months of valiant struggle, some initial success of relaxing ship congestion was achieved. But due to a concentration of ships, ship congestion gradually became a serious problem again, and at the present time there are over 500 ships at anchor each day. In order to relax this situation, the Ministry of Communication's leading party group has decided that relaxing ship congestion will be one of its central goals to be worked on. Four work teams have been formed with Minister Qian Yongchang, and Vice Ministers Zheng Guangdi [6774 0342 6611], Lin Zuyi [2651 4371 0044], and Huang Zhendong [7806 6966 2639] acting as team leaders, and comrades from the State Council's Port Office, the State Financial and Economic Committee, and the Ministry of Railways participating in the teams. These teams have left for the ports of Dalian, Tianjin, Shanghai and Huangpu. The work teams held a meeting on the afternoon of 4 September where Comrade Qian Yongchang encouraged the teams to win over the support of the local municipal governments, have coordination in all areas, and to take an accurate look at problems that can be solved in the near future, and then to adopt decisive measures for them. Due to unusual conditions, we may need to adopt unusual measures for some problems in order to strive for reductions in the number of ships at anchor. At the same time we are working hard for short-term results, the work teams should also conduct investigations and studies to come up with ways of solving ship congestion in the future. Minister Qian Yongchang said, "Ports have already made great efforts to relax ship congestion, but we still need to adopt some necessary and feasible measures to improve management and administration, further tap latent power, and raise efficiency so new contributions toward easing ship congestion can be made.

12704/9738  
CSO: 4006/178

## TRANSPORTATION

### TIANJIN PORT EXPANSION PLANNED OVER NEXT 5 YEARS

OW201306 Beijing XINHUA in English 1207 GMT 20 Dec 85

[Text] Tianjin, December 20 (XINHUA)--Tianjin is blueprinting the largest expansion of its port in the coming five years following completion of six deep-water berths between 1981 and 1985.

A port official said there today that the Tianjin port will build 12 berths of the 10,000 dwt class with state investment of 500 million yuan and 200 million U.S. dollars. This will enable the port to increase its handling capacity to 24 million tons upon completion.

The Tianjin port is an international trade port linked with 150 countries and regions. More than 2,000 Chinese and foreign ships call at the port every year.

According to the official, two berths for sundry goods and a container berth went into operation in 1981 and 82, and three container berths were approved by the state this month.

These berths add a combined handling capacity of 4,340,000 tons to the port, which is expected to handle 18.5 million tons of cargo this year, an increase of 6.5 million over 1980.

While building new berths, the official said, attention has been paid to upgrading the existing facilities.

A salt wharf is able to handle 3.2 million tons, up from 800,000 tons, after renovation, and the mechanized grain wharf can handle 3.5 million tons of grain a year, up from 2.1 million tons previously.

/9599

CSO: 4020/143

## TRANSPORTATION

### STEPS TO IMPROVE WUHAN RAILWAYS OUTLINED

Wuhan HUBEI RIBAO in Chinese 6 Sep 85 p 2

[Article by Song Guoqiang [1345 0948 1730], director, and Liu Zhijun [0491 1807 6511], party secretary, of the Wuhan Railway branch bureau: "Bold in Exploration, Determined in Reform, Revitalizing Railway Transportation"]

[Text] The Wuhan Railway branch bureau is located in the middle section of the Beijing-Guangzhou Railway, by the side of the Chang Jiang, which links the Pacific and Sichuan Province, and thus has the characteristics of superior geographical location in the heartland of China and being able to offer joint transportation by water and land. It plays the role of a center that links east and west, north and south China.

How can Wuhan Railway branch bureau, an 88-year-old enterprise, be revitalized to suit the needs of the development of economic construction? We are of the opinion that we must proceed from realities, take the road of reform, tap potential to raise results and strive to keep the main line really unblocked, hubs of communications swallowing and spitting fast, its "mouth" being able to swallow and its "stomach" being able to digest, so that the communications network can keep all parts of the country well linked.

In the past 2 years, we have mainly adopted the following "revitalizing" measures:

Break Up Vertical and Horizontal Administrative Blockage To Open Up the "Two Passes": Guangshui and Puqi are the Wuhan branch bureau's two stations bordering on other branch bureaus. In the past, because of the limitations of the boundary of railway bureau and branch bureaus and division of administrative areas, the two stations over a long period of time were bottlenecks and sometimes even completely blocked. After the Wuhan and Zhengzhou Railway bureaus were merged, old hauling locomotives were replaced and hauling zones were extended from 360 km to 602 km. Beginning last year, trains marshalled by the Wuhan marshalling yard can directly reach Luohe of Henan Province in the north and Chenglingji of Hunan Province in the south. In addition, transport organization was also readjusted and northbound empty trains do not make stopovers at Guangshui for checkup, which enables 58 pairs of trains to pass instead of the previous 47 pairs, thus increasing freight transport volume by more than 6 million tons.

**Open Up Bottlenecks To Revitalize the Hub:** The section between Hengdian and Xiaogan just north of the Wuhan hub used to be a bottleneck, which affected the handling capacity of the Wuhan hub. We found the problem and resolutely turned this section into a special operating zone which regulated the flow of trains. As a result, by adding one more locomotive, the whole line was revitalized. Hanshuiqiao Station, a junction of three lines within the hub, used to be a congested station because trains of all directions had to pass it. After many experiments, we adopted measures including changing the route of No 16 special express and speeding up traffic which improved traffic capacity.

**Improve Service Methods To Relax "Three Difficulty" Contradictions:** Wuhan is a supercity that projects a strong influence and has a strong attraction. It has become a transfer and distributing center for travelers and materials in central and south China. The "Three Difficulty" problem, i.e., difficulty in buying tickets, getting on trains and consigning for shipment, became increasingly prominent. We adopted such measures as adding both long- and short-distance trains and enlarging express trains, which enabled 1.44 million more passengers to be transported in 1984 and 1.2 million more passengers to be transported in the first half of this year alone. In the next half of 1985, we will enlarge 5 passenger trains, which are expected to transport 510,000 more passengers a year.

We are blazing a new trail in railway management, a trail which is twisted but has a bright future. As long as we emancipate our thinking, are bold in exploration and determined to reform, we will certainly be able to continuously tap our potential and revitalize railway transportation. The nearly 50,000 workers of the Wuhan Railway branch bureau are determined to make new contributions to making the country strong and people prosperous and to the construction of the four modernizations.

12974/12913  
CS0: 4006/39



TRANSPORTATION

PRC AIRPLANE MEETS INTERNATIONAL STANDARDS

OW241219 Beijing XINHUA in English 1211 GMT 24 Dec 85

[Text] Beijing, December 24 (XINHUA)--The Yun-12 (2) 17-seat aircraft has become China's first domestically built plane meeting international standards.

After a final test in Beijing today, a panel of 50 experts declared that the aircraft met the safety and navigability standards followed in developed countries.

The aircraft, suitable for short distance passenger transport and geological surveys, was made by Harbin Aircraft Manufacturing Co., the second largest in China.

The company began developing the plane in 1980, using some imported technology.

Talks are now under way between China and some Southeast Asian and West European companies on sales of such aircraft on the international market, said company officials.

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CSO: 4020/143

## TRANSPORTATION

### BRIEFS

AIRSHIP DEVELOPMENT COMPANY--Guangzhou, 19 Dec (XINHUA)--An airship development company was set up here this week. The company, made up of three science and technology companies from Guangdong, Jiangsu, and Zhejiang Provinces, will produce the airships in Guangzhou and Hangzhou before the end of next year. China's first airship, "Xihu," which was designed by Zhang Chuhong, had a successful test flight in May of last year. Airships are used for surveying, air seeding, forestry inspection, and transportation. [Text] [Beijing XINHUA in English 0844 GMT 19 Dec 85] /9599

CSO: 4020/143

CHINESE MEDIA ON FOREIGN ECONOMIC AFFAIRS

USSR BORDER TRADE ANALYZED

Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 3,  
May-Jun 85 pp 42-48, 62

[Article by Song Kui [1345 7608]: "Analysis of Soviet Union's Border Trade"]

[Text] The Soviet Union has adopted various trade methods in order to accelerate the development of foreign trade. Border trade is one of these methods. Border trade refers to the trade mechanism between neighboring countries or to the trade carried out by residents between their borders (or coasts). Even though the Soviet Union's border trade accounts for a small proportion of total foreign trade, it holds a special place. It is flexible, convenient, varied and the speed of development is quite rapid. Border trade complements large-scale trade, improves the utilization rate of resources, promotes the development of industrial and agricultural production in the border areas and helps to meet border residents' needs for daily consumer goods. This article will discuss some simple opinions regarding the development, characteristics, function and development tendencies of the Soviet Union's border trade.

I. The Soviet Union's Basic Border Trade Situation

The Soviet Ministry of Foreign Trade has more than 60 import and export trade companies, 3 of which specially handle border trade: the Baku Eastern Soviet Trading Co (which has border trade with Iran); the Far Eastern Soviet Trading Co (which has coastal and border trade with Japan, Korea, China and Australia); the Leningrad Soviet Trading Co with Finland (which engages in trade with Finland and Norway). A brief introduction to the USSR's development of border trade with Finland, Japan, China, Korea and elsewhere follows.

In the fall of 1955, border trade was developed along the Soviet-Finnish border based on a proposal by the Finnish-Soviet Chamber of Commerce. A joint communique published in February 1957 proposed conditions for developing border trade between the two countries; there were new developments in the exchange of goods between them in 1958. The Leningrad Soviet Trading Co with Finland (originally the Leningrad-Finnish Import and Export Trade Office of the USSR) was formed in 1960. In the 20 years following the company's founding, the border trade figure increased more than 49-fold. The number of Soviet enterprises providing good to Finnish markets continuously increased since border trade developed, as did the number of Finnish companies that have agreements with the

USSR. There are now more than 280 companies and firms engaged in Finnish-Soviet border trade. Some medium- and small-size companies are active participants.

In June 1978 a special border trade work group was set up in the economic cooperation standing committees of the Soviet and Finnish governments. The group's tasks were to hold exhibitions, training courses and seminars and to study and manage border trade affairs. The Soviet members of the group were appropriate representatives from the Soviet Ministry of Foreign Trade, State Planning Commission and planning and economic departments from border trade areas. Finnish members included representatives from the Bank of Finland, the Ministry of Foreign Trade and governors of the three trading provinces concerned. At a Leningrad seminar in September 1978 they determined operational principles. Specific border trade methods were formulated based upon the long-term plan of the USSR and Finland to develop and strengthen economic trade and industrial and technical cooperation. In order to fulfill the plan for supplying goods, improve product quality and abide by the contracts signed with enterprises in Leningrad, the city's executive committee also established a special border trade development and promotion commission. Border trade by the Estonian branch of the Leningrad Soviet Trading Co with Finland was quite well organized. In certain respects, supplying goods to Finland was more profitable than to Leningrad.

The USSR's volume of trade from 1961 to 1965 was 20 million rubles. In recent years the figure has always been above 50 million rubles.

With reference to the USSR's main exports in border trade with Finland, they are timber, ginned cotton, cloth, textiles, metals and glass utensils, pottery, toys and souvenirs, musical instruments and sporting goods, building materials and food products. The Leningrad Soviet Trading Co with Finland purchases more than 200 kinds of goods, including piece goods, sewn goods, needlework, athletic goods, appliances and small hardware. In recent years the USSR's growing imports from Finland include machinery, equipment and packaging materials, while construction material imports have fallen. Among daily consumer goods, sewn goods are increasing while piece goods are falling.

In 1963, the Soviet and Japanese governments signed a trade payments agreement for the years 1963 to 1965. They also exchanged official documents regarding the development of coastal trade. Since then, coastal trade has been recognized by both governments and protected by law.

Soviet-Japanese coastal trade in 1963 was valued at \$1.3 million. By 1980 it exceeded \$100 million, an almost 76-fold increase.

The USSR's major coastal trade exports to Japan include timber, coal, crude oil, minerals and various aquatic products. The USSR imports from Japan textiles, needlework, boots and shoes, fruit, vegetables and other daily consumer goods and certain machinery, equipment, rubber products, electrical wire and other production goods that are in short supply.

The USSR and China have a traditional history of border trade. As early as 1700 border trade began. The Russians traded pelts and gold for Chinese tea leaves and sheepskins. In the 19th century Chinese engaged in practically every kind of business with the coastal provinces of the USSR and there were even more Chinese in Vladivostok. In 1903, after the Chinese Eastern Railroad was opened to traffic, there was a group of special businessmen who transported goods for sale between Suifenhe and Vladivostok and engaged in a small amount of border trade. At the time they were called "mountain-path runners"; at most there 14,000 of them. After new China was formed, during the Chinese-Soviet friendly period, a small volume of bartering was also done along the border. In 1957, the Soviet Khabarovsk Krai began border trade with Heilongjiang Province in China. A high tide was reached in 1959. During the 9 years from 1957 to 1966 border trade was equal to more than 145 million yuan. Border trade between the two countries stopped in 1968. In April 1982, the foreign trade ministers of both countries exchanged letters of affirmation and as of 1983 China's Heilongjiang Province engaged in border trade with the USSR's Khabarovsk Krai, the coastal border area and the Amur Oblast. Because of this China established the Heilongjiang Trading Co, specially responsible for border trade there. In November 1982 the company negotiated and signed the 1983 trade and bartering agreement with the Far East Trading Co of the USSR. Border trade between the two countries was 17.45 million yuan, of which China exported 8.45 million yuan and imported million yuan.

Heilongjiang Province's major exports to the USSR by way of border trade are canned pork, soy sauce, stitched cotton goods, thermoses and enamelware. The province imported timber, cement, plate glass, motor vehicles and refrigerators from the USSR.

In recent years border trade between the USSR and Korea has rapidly expanded. The USSR imports from Korea pig iron, high-tension insulated wire, hydrochloric acid, aluminum oxide, calcium carbide, vegetables, fruit, machine tools, inlaid facing bricks and cement. The USSR exports to Korea refrigerators, color TV's, edible oils, detergents and petroleum products.

## II. Characteristics of the USSR's Border Trade

1. The USSR's imports and exports through border trade are balanced and trade is developed on the basis of clearing accounts. Both sides mutually benefit from imports and exports and each adjusts its surpluses and deficiencies. For example, Soviet Siberia and the far eastern area lack daily consumer goods so they import them from Japan, Korea and China. Japan's crafting, technical levels and output are quite high even though it lacks raw materials, so it really must expand its sales volume on the international market. Siberia and the far east are Japan's neighbors. Thus Japan trades its light industrial goods for the USSR's raw materials. Each supplies the other's needs. This is beneficial to both sides.

2. The USSR's border trade develops its regional superiority and has an ample supply of export resources, local industrial goods and native special products. The USSR takes note of goods that surpass plans and are overstocked. For example, the USSR's main border trade goods to Finland include timber, textiles,



glass utensils and porcelain produced in the area. Its main coastal trade goods to Japan include the Soviet far east's abundant timber, aquatic goods, ferns [juecai 5615 5475], jams and other special native products.

In its exports to Japan, the USSR also tries to export goods that are not needed domestically for certain reasons and that Japan wants to import. For example, the scrap from glossy spar beneficiation and timber processing.

3. The USSR's border trade business is flexible, varied and little affected by the political climate. Trade between the two countries is rather convenient and flexible because the participants in border trade are neighboring countries that are near to each other. As part of its border trade, the USSR has held exhibitions, sent delegations, advertised exports and used other methods that have had a positive role in promoting the development of trade.

The USSR has held many exhibitions in Maizuru, Toyama and Osaka in Japan to show its wares available by coastal trade. In 1967 at the Soviet booth of the International exhibit held in Niigata the Soviets specially exhibited exports available by coastal trade.

The timber-processing plant in Khabarovsk has held many coastal trade product shows. At the second coastal trade products exhibition held there in July 1970 trading companies and cooperative firms from 20 Japanese prefectures sent representatives to attend. At the exhibit the USSR energetically publicized the economic development of the far east and contacts for import and export border trade. The Soviet Ministry of Foreign Trade also planned to allow the Far East Trading Co to tour a special coastal trade show held in Japan.

The Japanese have also held export products exhibits in the USSR. In 1966, the first Japanese coastal trade show was held in Vladivostok. Japanese local industries used to rely on trading companies and cooperative firms for indirect trade but this time they were directly involved. The Japanese prefectures of Hokkaido, Aomori, Iwate, Akita, Yamagata, Niigata, Toyama, Ishikawa, Fukui, Shimane, Nagano, Kanagawa, Hiroshima, and Hyogo as well as the city of Kawaguchi exhibited their local wares in the USSR for the first time. More than 206 people in huge delegations led by the governors and vice governors of 4 prefectures participated in the opening ceremonies. In 1969 at a Japanese coastal trade show held in Khabarovsk the Mofu Trading Co from Ehime, Japan, marketed \$4.75 million worth of towels.

In 1968 Korea also held a border trade exports exhibit in Vladivostok.

The export products exhibitions held by border traders on each side and the delegations sent to study and make purchases had definite results and positive roles in opening markets and selling goods.

The flexibility of border trade also profits medium- and small-size enterprises. The development of border trade is promoted by allowing medium- and small-size enterprises to participate in it. Currently, many of them in the USSR and its trading-partner countries are engaged in border trade, promoting the development of enterprises.

4. The USSR's border trade development pace is rather swift. Border trade is quite flexible and convenient and transport distances are small, which is advantageous to trade on both sides, so development is rather rapid. In 1963 Soviet-Japanese coastal trade was at \$1.3 million. In 1970 it rose to \$19.3 million and in 1980 it broke the \$100 million mark. Comparing 1980 to 1936, the increase was 76-fold. The total Soviet-Japanese trade figure was \$320 million in 1963 and \$4,638,000,000 in 1980, a 14-fold increase. It is obvious that the volume of Soviet-Japanese coastal trade in this period grew faster than the gross volume of trade.

### III. The Position and Role of the USSR's Border Trade

The volume of border trade is less than that of large-scale trade, but its function is much more significant than the proportion of foreign trade volume for which it accounts. In border trade, goods can be exchanged that are not easy to exchange in large-scale trade. Border trade is in addition to the large volume of trade between two countries. Its main roles follow.

1. Border trade improves the utilization rate of natural resources. Border trade allows both countries involved to utilize the resources of the neighboring state in addition to their own. This greatly improves the natural resource utilization rate. For example, Japan buys coal, glossy spar, sheet mica, pearlite and boric acid by coastal trade from the USSR. After the USSR fells timber, trees with small diameters, treetops and other waste materials that go practically unused in the USSR are nonetheless imported, processed and utilized through coastal trade. Japan also buys second-rate timber from the USSR via coastal trade. This kind of secondary timber is practically unused in the Soviet far east. Another example is that Magadan stockpiled large quantities of ferrous metals waste that were thrown out as trash and would not be worthwhile to melt down in China. A Japanese purchaser was later found through coastal trade. This then cleared up the city's scrap metal pile and brought economic results.

2. Border trade promotes production. Production is promoted by introducing advanced foreign technology and equipment through border trade. An enterprise's production pace picks up by producing export goods and raising product quality. Coastal traders in the Soviet far east can use some of the export income to buy production equipment. For example, far eastern fisheries industries buy fishing equipment, nautical and exploration instruments, paint, pigment and other goods through coastal trade. Foresters buy steel cable and small forestry equipment. Fish canneries buy full sets of can loading, edge knurling and packaging equipment, can-end welding quality testers, automatic edge-balancing weights and other equipment.

3. Border trade meets the demands of border residents for daily consumer goods. These goods have always been in short supply in the eastern USSR, particularly since the end of the 1960's the USSR has accelerated development of Siberia and the far east, thus making for a large increase in the need for daily consumer goods in these areas. Siberia and the far east are short of approximately 125,000 tons of meat, 375,000 tons of sugar, 730,000 tons of milk, 20,000 tons of butter, 10,000 tons of cream, 55,000 tons of apples,

25,000 tons of oranges, 5,000 tons of tea leaves and 20 million meters of woolen piece goods per year. Although domestic goods can solve part of the problem, it is far from meeting the demand. Soviet Europe is far away and transportation cost are high on imports. What is the answer? In this case, the Soviet Government adopted the tactics of importing daily consumer goods from neighboring countries through border trade. Currently, the USSR imports daily light industrial products and food from Japan, Korea, China and other countries. This also includes needles and cotton goods, boots and shoes, enamelware, vegetables and fruit.

#### IV. Development Trends of the USSR's Boarder Trade

In recent years, the USSR's border trade has developed quite rapidly. The number of countries engaged in border trade with the USSR has gradually increased and the areas of the USSR that participate are continuously growing. There has been a gradual increase in the border trade volume and the variety of imports. Some new development trends have appeared in border trade:

A. Long-term contracts are increasing. Taking Soviet-Finnish trade as an example, the Leningrad Soviet Trading Co with Finland and the Finnish Construction Stock So signed a 5-year contract. The contract stipulates that the USSR shall provide bricks to the Finnish Construction (Ke-si-two-mu-shen) United Firm. The Soviet company also signed a long-term contract with the Finnish Thomesto Co to provide timber to Finland. It also signed a long-term contract with Turo Stock Co to provide various foodstuffs. Border trade that is carried out according to a long-term contract can make border trade planned and stable.

B. Compensation trade is adopted. In recent years the USSR began to utilize compensation trade methods when engaging in border trade with Finland, Japan and other countries. For example, the Leningrad Soviet Trading Co with Finland purchased bark-stripping machinery, pulverizers, chain saws and other forestry equipment for the Estonian SSR and the Karelian ASSR. The timber produced in these areas was later used as compensation to Finland. The USSR also plans to buy charcoal, equipment to make apple juice and compressed peat bricks, equipment to print piece goods and deep-freeze fruit and vegetables so as to make compensation goods.

With reference to Soviet-Japanese border trade, according to agreements Japan will provide the USSR with specially-manufactured plant equipment to pulverize wood products. The goods produced in the plant will be compensation. Japan will provide the USSR with drying equipment and in one and one-half years the peat produced with this equipment will be used as compensation for equipment costs.

Compensation trade offers many advantages to border trade. The three main advantages are:

- 1) compensation trade accelerates the development of resources in border areas;

2) compensation trade helps solve the problem of insufficient equipment and backward technology; it allows new foreign technology and techniques to be used as early as possible in various departments of the national economy;

3) goods produced from imported advanced foreign technology and equipment not only can meet domestic demands but can also expand exports and increase the volume of border trade.

C. The proportion of industrial exports increases. The USSR still is primarily a raw materials exporter, even in border trade. In the past few years while developing its resource superiority and actively organizing exports of raw materials and fuels, the USSR has concurrently paid full attention to increasing its exports of industrial goods. The 25th CPSU Congress stipulates that "we must greatly increase the proportion of processed industrial goods in our exports." In its border trade the USSR has also adopted measures to increase the proportion of heavily processed exports. For example, the USSR plans to build a board timber mill not far from the port of Vanino. Goods produced there will be sold to Japan via coastal trade. The USSR also plans to further expand its construction of export bases in Siberia and the far east in order to increase the proportion of heavily processed exports and to change the border trade export product mix.

Because capitalist development has opened world markets, mutual intercourse between various nationalities has replaced the old regional and national self-sufficiency and closed and isolated attitudes that used to prevail. Production and consumption in all countries has become international. At present, of all the various factors in developing each national economy, international cooperation, including border economic cooperation, has come to have an even greater role. This kind of cooperation includes political, economic, scientific, technical, cultural, and educational intercourse between neighboring states and areas near national borders. Currently, the USSR's foreign economic relations in border areas are not only limited to developing border trade but have expanded to developing many varied forms of border economic cooperation. The narrow connotation of border economic cooperation refers to regional economic relations to solve economic and social development questions along national borders. The broad connotation refers to overall border area economic cooperation between states. Besides regional relationships, this also includes cooperation to solve national problems. For example, transport and productive cooperation between large industrial centers in the border areas of both trading states are also included in this kind of cooperation. The USSR currently uses many forms of cooperation to develop border trade. The major types follow:

1. Cooperation on production, of which industrial cooperative production is the major type. Industrial cooperative production refers to cooperative production between industrial enterprises in the border areas of two countries. The firms on each side provide raw materials and resources. Each side uses them, exchanges production experience and employs workers from neighboring state.

An example of industrial cooperation is the "linked alkene plan" accord between the USSR and Hungary. According to the agreement, a plant to produce ethylene



and acrylics was set up in the (Ji-sai-si-ke) Chemical Industry United Enterprise in (Lenin-wa-luo-shen) (Hungary). Equipment to produce chloric ethylene was installed at the Chemical and Metallurgical United Enterprises (USSR). One-half of the ethylene production in the first company was sent via specially constructed pipelines to the second company. The USSR provides plastics and other organic chemical products to Hungary in exchange for ethylene and acrylics.

The Estonian SSR and some Finnish firms also engage in this kind of industrial cooperation in the production of cultural goods and peat bricks. The Latvian SSR and Finnish firms also carry out border economic cooperation in the processing and production of agricultural goods.

2. The joint use of both countries' resources in the border area. The USSR and Poland formulated a plan to jointly build a sulphur-producing mill utilizing the (Nie-mi-luo) Mine (Lvov, Soviet Ukraine) and the (Ba-shen-ni-ya) Mine (Poland) that are near to the borders. According to the plan Poland will provide the USSR with sulphur in exchange for steam.

The USSR and Romania set up the (Si-teng-ka) (Romanian)-(Ke-si-jie-shen-ji) (Soviet) unified irrigation project facility on the Prut River tributary to the Danube.

3. Joint construction of industrial and other projects. For example, Finland helped the USSR build the (Ka-lei-sha-a) Shaving Board Mill, the (Ke-si-tuo-mu-shen) Mineral Beneficiation Works and four hydropower stations in the northwest and to expand the Pyatigorsk Forest and the Sverdlovsk pulp and paper-making firm. Some Finnish companies also helped Leningrad to build and install the Lenin Stadium and some facilities in special seaside stores. The Finns also participated in the construction of the Tallinn Olympic sports facilities. With the help of some organizations and enterprises in the Soviet northwest economic area, the Finns set up 15 shaving board mills and installed two sets of steel casting equipment in the city of Lahti. The output of these two units accounts for more than one-half of Finland's cast iron and steel output. They also built a thermal power station in the city of Pori. Soviet experts participated in the designing and planning of the Helsinki subway.

4. Jointly promote soil improvements and environmental protection. Protection and improvement of the environment in the development of cooperation has been regarded as one form of border cooperation. It includes not only land-joined areas but also areas separated by sea that face each other. This kind of cooperation includes the joint protection of forests, structures and facilities, prevention of surface water and groundwater pollution, combating natural disasters, etc. For example, the USSR, Romania, Hungary, and Yugoslavia formulated an overall plan to utilize and protect the water resources of the Tisza River tributary of the Danube River. In the overall plan, they formulated a way to control floods and regulate the volume of water flow and questions regarding the use of water in industry, agriculture and daily life.

In addition, border economic cooperation also includes the joint development of vacation and tourism industries, and the exchange of advanced production experience between border firms as well as labor cooperation, common usage of transportation facilities, the exchange of technology, superior seeds, repairs and other services, mutual help on public works, joint training of cadres, etc.



HONG KONG

# HONG KONG'S ECONOMIC SUPERIORITY IN HANDS-OFF POLICY

Guangzhou GANG AO JINGJI [HONG KONG AND MACAO ECONOMIC DIGEST] in Chinese  
No 6, 25 Jun 85 pp 12-14

[Article by Li Hongchang [2621 7703 2490], chairman, Department of Economics, Economics Institute, Jinan University: "Free Port's Implementation of Hands-Off Policy Is Its Superiority"]

[Text] Two matters must be clarified to explore the superiority of Hong Kong's economy: (1) The so-called superiority of Hong Kong's economy refers to an aspect that is unique to Hong Kong. (2) The so-called superiority of Hong Kong's economy refers to the international economy and not just to the inland.

What is Hong Kong's economic superiority after all? Many comrades hold that the internationalism of Hong Kong's economy is manifested in its important position and role as an international financial, trade, shipping, news and tourism center. On the basis of endorsing this kind of viewpoint, some comrades express Hong Kong's economic superiority as "the broadness of its international contacts." These viewpoints have a certain truth to them because in terms of economic concepts Hong Kong's economy is truly a very model international economy. Nevertheless, the main weaknesses of these theses are: (1) The arguments are incomplete; (2) they will be harmful and unbeneficial to the question of how to handle Hong Kong in practical terms in the future. Expressing the superiority of Hong Kong's economy in terms of economic internationalism cannot explain the superiority of Hong Kong's economy because the viewpoint of economic internationalism is very vague in certain senses. The economy of any country or area is naturally international provided that its economy is open. Everyone knows that the economies of the United States, West Germany, Japan, England, France and other capitalist countries are international, as are those of Singapore, South Korea and other developing countries. So how about China's economy? It should not be questioned that as China becomes more and more open, her economy will become more and more international. In sum, saying that Hong Kong's economic superiority is found in its internationalism is of little help to clearly understanding the true superiority of Hong Kong's economy. If this superiority is expressed as broad international contacts, it is difficult to explain Hong Kong's economic superiority. The reason is simple; the economy of any economically international state or area naturally has

broad economic contacts. How else could it be called an international economy? Moreover, with reference to practice, certain dangers regarding the question of how to handle Hong Kong in the future might be hidden if the viewpoint were established and generally accepted that the superiority of Hong Kong's economy is found in its economic internationalism. As China's economy becomes more international each day, the question of not really considering the protection and utilization of Hong Kong's economic superiority might arise at any time. Because even though Hong Kong's economic superiority is found in its internationalism, and the economy of the interior of the motherland (Guangdong for example) is becoming increasingly international, then why continue the special policies to maintain Hong Kong's present social system that is entirely different from that of the interior for 50 years after Hong Kong's sovereignty is withdrawn in 1997? It is not hard to imagine that there will be enormous or disastrous attacks upon Hong Kong's economy some day if "leftist" ideology holding that it is unnecessary to protect and utilize Hong Kong's economic superiority arises and influences policies.

It is necessary to point out that comrades who hold that the superiority of Hong Kong's economy is found in its internationalism subjectively hope to preserve the internationalism of Hong Kong's economy in the future and thus to maintain its prosperity and stability for a long time. Thus, they oppose any "leftist" ideologies and methods of handling the Hong Kong question. Yet because of the inaccuracy of the economic internationalism concept, it is very easy to objectively cause dissension in the understanding of Hong Kong's economic superiority. Thus it can bury certain factors that are detrimental to the development of Hong Kong's strengths in terms of how to handle the Hong Kong question in the future. Those of us who engage in economic research must consider and try to avoid this kind of situation.

If the superiority of Hong Kong's economy is not found in its economic internationalism, then what is it? I hold that Hong Kong's economic superiority is found in the fact that it is a free port that practices a free, hands-off economic policy plus its special geographical position and the special economic role that has developed.

The free port's implementation of a free, hands-off economic policy allowed Hong Kong to develop a unique role in the international economy. This kind of unique role is manifested in:

1. The ability to utilize enormous international resources in the fullest way.

What are the major current international resources? I agree with the opinion that there are four immense resources in the contemporary world: (1) Several billion U.S. dollars of floating capital; (2) a large volume of advanced technology and patents; (3) a large amount of scientific and technical talent; (4) every day a large volume of information is conveyed to the world. Capital is the most important of these four resources because to a large degree technology, talent and information follow the flow of capital and can be determined by the flow. Whoever can most fully utilize the above four resources in today's world, in particular to most fully utilize the

world's idle funds, can have international economic superiority unmatched by other countries and regions. Hong Kong is a free port that practices a free, hands-off economic policy. There is freedom of business, trade, foreign exchange, capital, gold and personnel inflow and outflow. Adding to this the investment environment that is already in place, these factors make Hong Kong the best investment site that can most surely guarantee the entry and exit of capital and thus make Hong Kong the place that is most able to fully utilize the four major current international resources.

## 2. The ability to concentrate its efforts to develop high-profit industries.

Hong Kong's status as a free port practicing a free, hands-off economic policy has provided extremely favorable conditions for the development of Hong Kong's international trade, manufacturing, transport, financial services, tourism and other high-profit industries. Because Hong Kong has promoted its strengths and avoided its weaknesses and fully utilized these favorable conditions in the past several decades, the concentration of effort to develop international trade, manufacturing, transport, financial services and tourism has resulted in making Hong Kong into a world-renowned international trade and financial center and an information, transport, tourism and multifunctional international economic center.

We must fully emphasize here that the free port's implementation of a free, hands-off economic policy is the pillar allowing Hong Kong to fully utilize immense international resources and develop high-profit industries; it would be impossible without it. It is clear that the free port's special role and superiority is its implementation of a free, hands-off policy that no other country or area can match. This is the greatest superiority of Hong Kong's economy.

The special geographical position alongside the interior of the motherland allows Hong Kong to develop another special role in the international economy.

Hong Kong is a free port implementing a free, hands-off economic policy. It can attract the world's capital, technology, talent and information to the greatest degree. Yet in the final analysis Hong Kong is only a small bit of land with only more than 1,000 sq km and more than 5 million people. Considering Hong Kong itself, it has a limited ability to attract international capital, talent, science, technology and information. Although there is this kind of limitation, Hong Kong still greatly attracts these things because of its special geographical position alongside the interior of the motherland that has 9.6 million sq km of land and a population of more than 1.6 billion. The concrete manifestation of this kind of attraction is seen in:

1. In the processing of developing economic relationships with the interior, Hong Kong most fully develops its own vast capital, technology, talent and informational roles, thereby allowing even more capital, technology, talent and information to flow into Hong Kong in a steady stream.

2. In the process of developing economic relationships with financial consortia from various capitalist countries, Hong Kong can play a special kind of unique intermediary role.

In sum, it is easy to see that the special role developed by implementing a free port with a free, hands-off economic policy is the greatest superiority of Hong Kong's economy. The special role developed from Hong Kong's special geographical position alongside the interior of the motherland also redoubles Hong Kong's economic might and strengthens its superiority even more. Toward this end, if we desire to protect and utilize Hong Kong's economic superiority, then we must protect and utilize this special role of Hong Kong's economy.

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